

Official Statement

*San Luis Coastal
Unified School District
Educational Facilities Corporation
San Luis Obispo County, California*

\$14,800,000 Bonds, Series of 1978

*[Stone & Youngberg, Municipal financing consultants, Inc.]
San Luis Obispo County Economic Corporation*

*INSTITUTE OF GOVERNMENTAL
STUDIES*

APR 20 1978

UNIVERSITY OF CALIFORNIA

Bids to be received by the Corporation on Tuesday, May 2, 1978 at 10:00 A.M. at the Conference Room of Stone & Youngberg Municipal Financing Consultants, Inc., Suite 2750, One California Street, San Francisco, California.

OFFICIAL STATEMENT
\$14,800,000 BONDS, SERIES OF 1978
SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
EDUCATIONAL FACILITIES CORPORATION

Carl L. Hysen, *President*

Dr. Brendan V. McAdams, Jr., *Secretary*

Patrick Nagano, *Director*

Virginia Gannon, *Treasurer*

Robert E. Neal, *Director*

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
BOARD OF TRUSTEES

Ray A. Gallo, *President*

Jack B. Dewar, Jr., *Clerk*

Theodore C. Maino

Clara B. Froggatt

Michael J. Morris

Judith Hiltbrand

R. Don Warden

ADMINISTRATIVE STAFF

Dr. William H. Newman, *Superintendent*

Dr. Charles Lewin, *Associate Superintendent*

Dr. John E. Perko, *Assistant Superintendent*

PROFESSIONAL SERVICES

Orrick, Herrington, Rowley & Sutcliffe, *San Francisco, California*
Bond Counsel

Stone & Youngberg Municipal Financing Consultants, Inc., *San Francisco, California*
Financing Consultants

Arendt/Mosher/Grant/Pedersen/Phillips, *Santa Barbara, California*
Architects

Cashion-Horie Architects, Inc., *Pomona, California*
Architects

Bank of America N.T. & S.A., *Los Angeles, California*
Trustee

Bankers Trust Company, *New York, New York*
Paying Agent

Harris Trust and Savings Bank, *Chicago, Illinois*
Paying Agent

THE DATE OF THIS OFFICIAL STATEMENT IS APRIL 13, 1978

7900602

TO WHOM IT MAY CONCERN:

The purpose of this Official Statement is to supply information to prospective bidders on, and buyers of, \$14,800,000 principal amount of the Series of 1978 Bonds, proposed to be issued by the San Luis Coastal Unified School District Educational Facilities Corporation.

The material contained in this Official Statement was prepared by Stone & Youngberg Municipal Financing Consultants, Inc., in the capacity of financing consultants to the Corporation and the San Luis Coastal Unified School District (which firm will receive compensation from the Corporation contingent upon the sale and delivery of the Bonds).

This Official Statement is not to be construed as a contract with the purchasers of the Series of 1978 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The agreements of the Corporation with the purchasers of the Bonds are set forth in the Indenture. That document will be available to any prospective investor in the Bonds. Reference is hereby made to that document for a complete statement of the rights and obligations of the Corporation and holders of the Bonds.

No dealer, broker, salesman or other person has been authorized by the Corporation to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The members of the governing board of the San Luis Coastal Unified School District have reviewed this Official Statement and have determined that as of the date hereof, to the best of their knowledge and belief, the Official Statement does not contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. The Corporation will deliver to the purchaser of the Bonds a certificate of the District as to the above, dated the date of Bond delivery, and further certifying that the signatories know of no material adverse change in the condition of the District which would make it unreasonable for the purchaser of the Bonds to rely upon the Official Statement in connection with the resale of the Bonds, and authorizing the purchaser of the Bonds to distribute copies of the Official Statement in connection with the resale of the Bonds. 250 copies of the Official Statement will be supplied to the purchaser of the Bonds for this purpose.

The opinion of Orrick, Herrington, Rowley & Sutcliffe, San Francisco, California, Bond Counsel to the Corporation, will be furnished to the successful bidder (see the section entitled "Legal Opinion" herein). The scope of Bond Counsel's employment in connection with the review of this Official Statement has been limited to reviewing the statements of law and legal conclusions set forth herein under the sections titled "San Luis Coastal Unified School District Educational Facilities Corporation" and "The Bonds".

Dated April 13, 1978

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
EDUCATIONAL FACILITIES CORPORATION

INSTITUTE OF GOVERNMENTAL
STUDIES LIBRARY

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UNIVERSITY OF CALIFORNIA

SUMMARY OF ESSENTIAL FACTS AND ESTIMATES
SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
EDUCATIONAL FACILITIES CORPORATION
\$14,800,000 BONDS, SERIES OF 1978

Issuer and Authority for Issuance: San Luis Coastal Unified School District Educational Facilities Corporation pursuant to the General Nonprofit Corporation Law of the State of California (Title 1, Division 2, Part 1 of the California Corporations Code), and an Indenture between the Corporation and Bank of America N.T. & S.A., as Trustee.

Purpose of Issue: Finance the construction of classroom, library, shop, multi-purpose gymnasium, and physical education additions to San Luis Obispo High School, and classroom, shop, library, gymnasium, and physical education additions to Morro Bay High School.

Issue of Bonds: \$14,800,000 principal amount of the Corporation's Series of 1978 Bonds, dated May 1, 1978 and maturing on May 1 as follows:

| Maturity Date May 1 | Principal Amount | Maturity Date May 1 | Principal Amount |
|------------------------|---------------------|------------------------|---------------------|
| 1981 .. | \$ 330,000 | 1991 .. | \$ 700,000 |
| 1982 .. | 360,000 | 1992 .. | 755,000 |
| 1983 .. | 385,000 | 1993 .. | 815,000 |
| 1984 .. | 415,000 | 1994 .. | 875,000 |
| 1985 .. | 450,000 | 1995 .. | 945,000 |
| 1986 .. | 485,000 | 1996 .. | 1,020,000 |
| 1987 .. | 520,000 | 1997 .. | 1,095,000 |
| 1988 .. | 560,000 | 1998 .. | 1,185,000 |
| 1989 .. | 605,000 | 1999 .. | 1,275,000 |
| 1990 .. | 650,000 | 2000 .. | 1,375,000 |

Interest: Maximum rate not to exceed 8 percent per annum, payable for the first 6 months on November 1, 1978 and semiannually thereafter on each succeeding May 1 and November 1 of each year.

Time and Place of Sale: Tuesday, May 2, 1978 at 10:00 A.M. at the Conference Room of Stone & Youngberg Municipal Financing Consultants, Inc., Suite 2750, One California Street, San Francisco, California.

Payment and Registration: Interest and principal payable at the Corporate Agency Division office of The Bank of America N.T. & S.A. in Los Angeles,

California (the trustee), or in the case of coupon bonds at the principal office of Bankers Trust Company, in New York, New York, or at the office of Harris Trust and Savings Bank in Chicago, Illinois.

Call Provisions: All bonds callable from proceeds of insurance or eminent domain on any date without premium. Bonds maturing on or before May 1, 1995 not otherwise callable. Bonds maturing on and after May 1, 1996 also callable on any interest payment date on or after May 1, 1988 at a maximum premium of 3.25 percent and at lesser premiums in subsequent years as specified in the Indenture.

Tax Exemption: In the opinion of Bond Counsel, interest on the Series of 1978 Bonds is exempt from all present federal and State of California personal income taxes.

Eligibility for Deposits of Public Monies and for National Banks: The Series of 1978 Bonds are eligible to secure deposits of public funds in California under Section 53651.5 of the California Government Code. It is believed the U.S. Comptroller of Currency will issue a ruling that the Series of 1978 Bonds are eligible for purchasing, dealing in, underwriting, and unlimited holding by national banks.

Blue Sky Memorandum: Information memorandum regarding applicability of blue-sky laws in all 50 states, District of Columbia, and Puerto Rico will be furnished to prospective purchasers.

Legal Opinion: Orrick, Herrington, Rowley & Sutcliffe, San Francisco.

Security: Payment of Bond interest and principal secured by a first and exclusive charge upon District base rental payments. Rental payments are general fund obligations and District covenants to budget and appropriate necessary funds each year.

District voters have approved a 43¢ per \$100 assessed valuation maximum annual tax rate increase over the period 1977/78 to 2001/02 for the purposes of (1) preparing plans and specifications, and (2) leasing the Project to be constructed for District's use. Proceeds of the voter approved maximum tax rate increase may be used only to meet District rental obligations and other Project costs.

District's estimated annual rental obligations for Project Phase I of \$1,490,000 (\$1,480,000 base rental and \$10,000 additional rental) payable in semiannual installments beginning October 15, 1980 and April 15, 1981 and each subsequent October 15 and April 15 through April 15, 2000 is anticipated to be met by proceeds from voter approved lease authorization tax.

The maximum rental is based on the following assumptions: (1) actual Project Phase I construction costs as bid, (2) an estimated bid of $7\frac{3}{4}$ percent per annum interest rate on Bonds issued to finance the construction of Project Phase I school facilities, (3) funded interest during and for four months beyond the expected completion date of the additions to San Luis Obispo High School and for nine months beyond the expected completion date of additions to Morro Bay High School, and (4) the funding of a reserve equal to estimated one-half maximum annual debt service.

Based on the present 1977/78 assessed valuation (\$406,933,391) and a tax delinquency of 2% (three-year average tax delinquency of 1.23% and a 1976/77 tax delinquency of 0.78%), the tax rate necessary to generate funds to meet annual maximum rental payments for Project Phase I facilities is 37.4¢ (includes additional rental) of the total voter approved 43¢ tax rate increase.

No other series of bonds will be issued pursuant to this 43¢ tax rate increase and lease authorization.

Other Protective Provisions of the Series of 1978 Bonds: (1) Reserve equal to one-half maximum annual debt service created from bond proceeds; (2) interest funded from bond proceeds through May 1, 1980, approximately four months beyond the estimated date of occupancy for the additions to San Luis Obispo High School and for nine months beyond the expected completion date of the additions to Morro Bay High School; (3) firm construction bids have been received with 100% faithful performance and

100% labor and materialmen's bonds; (4) insurance protection includes fire and extended coverage for not less than full replacement cost of the facilities or sufficient to pay Bonds, subject to a deductible clause not to exceed \$100,000 for any one loss; earthquake insurance after completion, if such insurance is available at reasonable cost on the open market from reputable insurance companies, for not less than full replacement cost of the facilities or sufficient to pay Bonds, subject to a deductible clause not to exceed 10 percent of replacement cost for any one loss (the Contractor will provide this insurance with a 3% deductible during construction); rental interruption insurance equal to time required to construct structure plus three months, less a 30-day deductible; public liability and property damage insurance; and a policy of title insurance in the amount of the Bonds insuring the Corporation's interests in the sites upon which facilities are to be located; (5) principal amount of bond issue was not reduced to reflect earnings during construction for Construction Fund, Reserve Fund or Interest Fund.

District Financial Data: Five year history shows: (1) increase in average daily attendance from 7,911 to an estimated 8,714 in fiscal year 1977/78, (2) growth in assessed valuation from \$206,452,259 to \$406,933,391, and (3) current tax delinquency of 1.44% (1976/77 delinquency of 0.78%).

The District: Encompasses 244 square miles and is approximately 200 miles north of Los Angeles and 235 miles south of San Francisco. Population is estimated at 60,000.

Direct and Net Direct and Estimated Overlapping Debt. Upon delivery of the Corporation's Series of 1978 Bonds currently being offered for sale, the total of the Corporation's and District's direct debt will be \$15,745,000 or 3.87% of assessed valuation and 1.15% of estimated real value. Direct and estimated overlapping debt will be 5.72% and 1.70% of assessed valuation and estimated real value, respectively.

**ALL OF THE TERMS OF THIS SUMMARY
OF ESSENTIAL FACTS AND ESTIMATES ARE
SUBJECT TO THIS OFFICIAL STATEMENT
AND THE OFFICIAL NOTICE OF SALE OF
THE BONDS.**

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The City of San Luis Obispo is approximately 200 miles north of Los Angeles and 235 miles south of San Francisco.

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT EDUCATIONAL FACILITIES CORPORATION

Organization and Membership

The San Luis Coastal Unified School District Educational Facilities Corporation, herein referred to as the "Corporation", was formed on October 7, 1977, as a nonprofit corporation pursuant to the General Nonprofit Corporation Law of the State of California (Title 1, Division 2, Part 1, of the California Corporations Code). The purpose of the Corporation is to provide financial assistance to the San Luis Coastal Unified School District, San Luis Obispo County, California, herein referred to as the "District", by financing the acquisition, construction, improvement and remodeling of public school buildings and facilities for the District.

The Corporation functions as an independent entity and its policies are determined by a five-member Board of Directors who are community leaders and residents of the District. The corporate directors receive no compensation for work or service performed as corporation directors. All staff work is done by the district staff or by consultants to the Corporation since the Corporation has no employees.

The members of the Board of Directors are:

President: Carl L. Hysen, co-owner of the Hysen-Johnson Ford Agency in San Luis Obispo. Mr. Hysen is a member and past president of the San Luis Obispo Rotary Club. He is a former member of the San Luis Coastal Unified School District Board of Education, former finance Chairman of the San Luis Obispo County Republican Committee and former member of the Board of the San Luis Obispo City Chamber of Commerce.

Secretary: Dr. Brendan V. McAdams, Jr., orthopaedic surgeon. Dr. McAdams is a member of the San Luis Obispo City Civic and Fine Arts Association, a member of the Kiwanis Club and active participant in various school committees and organizations.

Treasurer: Virginia Gannon, housewife. Mrs. Gannon has acted as president of various local PTA organizations and is presently the Assistant Treasurer and member of the Board of Managers of the California State PTA as well as a member of the California State PTA Finance Commission. Mrs. Gannon also serves on the San Luis Coastal Unified School District Budget and Finance Committee.

Director: Patrick N. Nagano, President of Nagano Company (farm land and investments). Mr. Nagano has been a member of the California State Teachers' Credentials Committee and a former member of the San Luis Coastal Unified School District Board of Education.

Director: Robert E. Neal, Partner, Neal-Truesdale Insurance. Mr. Neal is a member of various civic and school organizations and advisory committees and is a past president of the San Luis Obispo City Chamber of Commerce.

Certain Powers of the Corporation

The powers of the Corporation are vested in, and exercised by, a majority of its directors. Under its Articles of Incorporation, the Corporation has all powers conferred upon nonprofit corporations by the laws of the State of California including the following:

(a) To borrow money and issue bonds, debentures, notes and other evidences of indebtedness, and to secure the payment or performance of its obligations by pledge, mortgage, transfer in trust or otherwise;

(b) To acquire, by purchase, exchange, lease, gift, devise, bequest or otherwise, and to hold, improve, lease, sublease, mortgage, transfer in trust, encumber, exchange, convey or otherwise dispose of real and personal property; and

(c) To assume any obligations, enter into any contracts and other instruments and do any and all things incidental to or expedient for the attainment of its corporate purposes or the issuance and sale of its securities.

Financing Procedures and Basic Legal Documents

On March 8, 1977 voters of the District, by a vote of 6,359 to 5,624 (53%) approved an increase of 43¢ per \$100 assessed valuation in the District's

maximum tax rate over the period 1977/78 to 2001/02 for the purpose of preparing plans and specifications and leasing the following furnished, equipped and landscaped school facilities: (1) classroom addition to Baywood Elementary School, (2) classroom, library, shop, multi-purpose gymnasium, and physical education additions to San Luis Obispo High School, and (3) classroom, shop, library, gymnasium, and physical education additions to Morro Bay High School.

Proceeds from the sale of the \$14,800,000 principal amount of the Corporation's Series of 1978 Bonds currently being offered will be used to construct Project Phase I public school facilities (as discussed above except for the classroom addition to Baywood Elementary School, see next paragraph) on District-owned sites that are to be leased to the Corporation pursuant to provisions of a site lease the principal provisions of which are summarized in the "Site Lease (Project Phase I)" heading of this Official Statement.

The District is now constructing the addition to the Baywood Elementary School from available District funds at a construction cost of \$644,000.

The term "Project" as used herein includes Project Phase I and any other school facilities financed by the Corporation under the Indenture. The term "Bonds" includes the Series of 1978 Bonds and any other series of bonds subsequently issued under the Indenture.

The \$14,800,000 principal amount of the Series of 1978 Bonds currently being offered will be issued pursuant to an Indenture between the Corporation and Bank of America N.T. & S.A., Los Angeles, California, as Trustee. The Indenture will be dated May 1, 1978 and will be executed prior to the delivery of the Series of 1978 Bonds.

The Series of 1978 Bonds and a summary of certain provisions of the Indenture are discussed in "The Bonds" section of this Official Statement. For complete details prospective purchasers of the Series of 1978 Bonds are referred to the text of the Basic Legal Documents accompanying the distribution of this Official Statement.

The Corporation will lease back to the District the facilities to be constructed and the sites pursuant to provisions of a facility lease, the principal provisions of which are summarized in the "Facility Lease (Project Phase I)" heading of this section of the Official Statement. For complete details prospec-

tive purchasers of the Series of 1978 Bonds are referred to the text of the Basic Legal Documents accompanying the distribution of this Official Statement.

Site Lease (Project Phase I)

The Site Lease (Project Phase I) will be dated May 1, 1978 and will be executed prior to the delivery of the Series of 1978 Bonds.

Pursuant to the Site Lease, the District will lease to the Corporation, at an annual rate of \$1.00, the real properties (Demised Premises) upon which the Project Phase I facilities are to be constructed. The Corporation shall use the Demised Premises solely for the purposes of: (1) constructing Project Phase I facilities thereon, and (2) leasing back to the District the Demised Premises and the facilities thereon pursuant to the Facility Lease (Project Phase I).

Term. The term of the Site Lease shall start on the date of its recordation in the office of the County Recorder of San Luis Obispo County, State of California, or on November 1, 1978, whichever is earlier. The term of the Site Lease shall end on October 1, 2000, unless earlier terminated or extended. If prior to October 1, 2000, all of the Series of 1978 Bonds shall have been retired, the Site Lease shall be terminated ten days thereafter (the final maturity of the Series of 1978 Bonds is May 1, 2000). If on September 30, 2000 all of the Series of 1978 Bonds shall not be fully paid and retired, or if the rental payable under the Facility Lease shall have been abated, then the term of the lease shall be extended until ten days after all bonds and other indebtedness of the Corporation incurred to finance the construction of Project Phase I shall be fully paid and retired, except that the term of the lease shall in no event be extended beyond July 1, 2005.

Title to Sites. The District owns the sites upon which the facilities are to be constructed.

Eminent Domain Proceedings. In the event all or any part of the Demised Premises or the Project Phase I improvements thereon are taken by eminent domain proceedings, the interest of the Corporation shall be recognized in the amount of the then unpaid indebtedness incurred by the Corporation to construct the Project Phase I facilities, including interest thereon and all other payments required to be made by, or to, the Trustee.

Termination and Disposition of Project. Upon the termination of the Site Lease, the Corporation

agrees to surrender to the District the Demised Premises and title to the permanent structures and improvements existing thereon.

For additional details of the Site Lease, prospective purchasers of the Series of 1978 Bonds are referred to the complete text of the proposed form of Site Lease included in the Basic Legal Documents accompanying the distribution of this Official Statement.

Facility Lease (Project Phase I)

The Facility Lease (Project Phase I) will be dated May 1, 1978 and will be executed prior to the delivery of the Series of 1978 Bonds. The Corporation will lease to the District the Demised Premises and the Project Phase I facilities to be constructed thereon pursuant to provisions of the Facility Lease.

Term. The term of the Facility Lease shall start on the day of its recordation in the office of the County Recorder of San Luis Obispo County, State of California, or on November 1, 1978, whichever is earlier. The term of the Facility Lease shall end on September 30, 2000 unless earlier terminated or extended. If prior to September 30, 2000, all of the Series of 1978 Bonds shall have been retired, the Facility Lease shall terminate ten days thereafter (the final maturity of the Series of 1978 Bonds is May 1, 2000). If on September 30, 2000, the Series of 1978 Bonds have not been retired, the Facility Lease shall be extended until ten days after all Series of 1978 Bonds and any other indebtedness incurred to finance the construction of Project Phase I shall be fully paid and retired, except that the term of the Facility Lease shall in no event be extended beyond July 1, 2005.

Construction of Facilities. The District has obtained competitive bids for the construction of Project Phase I facilities at an aggregate cost of \$11,134,538. Concurrent with the execution, delivery and recordation of the Facility Lease, the Corporation will enter into contracts with the lowest responsible bidders for construction of the Project Phase I facilities in accordance with plans and specifications previously approved by the District and the Office of the State Architect.

Commencement of Rental. It is contemplated that the District will take possession of the Demised Premises and Project Phase I on or before October 1, 1980 and the first semiannual payment of rental shall be due on October 15, 1980. The District may

take possession of the Demised Premises and the Project Phase I facilities prior to October 1, 1980 if completed prior to that date. If for any reason the Corporation is not able to deliver possession of the Demised Premises and the Project Phase I facilities, or any part thereof, to the District by October 1, 1980, the Facility Lease shall not be void nor the Corporation be liable to the District for any resulting loss or damage; but in that event, the rental payable by the District shall be abated based on the proportion the construction cost of the incompletely constructed portion or portions of the Project Phase I facilities bears to the total construction cost of the facilities.

Rental. Rental payable for the use and occupancy of the Demised Premises and the Project Phase I facilities is denominated "base rental" and "additional rental."

Base Rental. The District agrees to pay the Corporation a base rental, semiannually beginning on October 15, 1980, and each succeeding April 15 and October 15, up to and including April 15, 2000 unless the Facility Lease has been earlier terminated or extended. The amount of base rental shall be in a specified amount sufficient to meet payments of interest and principal on the Corporation's Series of 1978 Bonds as they become due. The actual base rental obligation of the District will be determined following the sale of the Series of 1978 Bonds.

Additional Rental. The District is also required to pay to the Corporation additional rental, in an amount not to exceed \$10,000 annually, to meet administrative costs of the Corporation attributable to Project Phase I and the Corporation's Series of 1978 Bonds.

District Provision of Rental. The District covenants to include all base rental and additional rental payments in its annual budget and to make the necessary annual appropriations for all such payments. The Corporation and the Trustee will be furnished copies of each proposed and final budget of the District within ten days after the filing or adoption thereof.

Abatement of Rental. Rental shall be abated during any period in which there is substantial interference with the District's use and occupancy of the Demised Premises and the Project Phase I facilities due to damage or destruction. The abatement of District rental shall be based on the proportion of initial costs of the unusable portion or portions of the Project Phase I facilities to the total initial cost of Project Phase I facilities. In the event of any such damage

or destruction, the lease shall continue in full force and effect and the District waives any right to terminate the lease by virtue of such damage or destruction.

Insurance. Except if such insurance is otherwise obtained by the Corporation or a construction contractor, the District is required to obtain and maintain throughout the term of the Facility Lease various insurance coverages including fire and extended coverage, earthquake (after completion of construction and if available at reasonable cost on the open market from reputable insurance companies), public liability and property damage, and rental or use and occupancy insurance. The various insurance coverages to be provided by the contractors and the District during construction are discussed in "The Project" section of this Official Statement. The major features of these types and amounts of insurance coverages are discussed under the heading "The Indenture" in "The Bonds" section of this Official Statement.

Maintenance, Utilities, Taxes and Assessments. The District shall be responsible for the maintenance and repair of the Demised Premises and Project Phase I while in possession, and shall pay or arrange for the payment of such costs, as well as utilities, and taxes and assessments throughout the term of the Facility Lease.

Eminent Domain Proceedings. In the event the Project Phase I facilities are permanently taken under the power of eminent domain, the Facility Lease shall terminate. In the event less than all of the Project Phase I facilities are taken under the power of eminent domain or if the whole of the Project Phase I facilities are taken under the power of eminent domain temporarily, the Facility Lease shall continue in full force and there shall be a partial abatement of rental to be agreed upon by the

District and the Corporation; however, in no event shall the rental payable by the District be less than the amount required for the retirement of the Series of 1978 Bonds and payment of interest thereon as such bonds and interest become due.

Option to Purchase. The District shall have the option to purchase the Corporation's interest in any part of the Project Phase I facilities upon payment of an option price equal to the aggregate amount for the entire remaining term of the lease of the part of the total rental attributable to such part of the Project Phase I facilities (determined by reference to the proportion which the construction cost of such part of the Project Phase I facilities bears to the construction cost of all of the Project Phase I facilities).

Default By District. Should the District default and fail to remedy any default, the Corporation has the right to terminate the Facility Lease and re-enter the premises, or without terminating the Facility Lease, re-enter and relet the Project Phase I facilities as the agent of and for the account of the District, but there shall be no acceleration of rent upon any default.

Termination and Disposition of Project. Upon termination of the Facility Lease, the Corporation agrees to surrender to the District the Demised Premises and title to permanent improvements thereon.

The foregoing summary discussion of selected features contained in the proposed form of Facility Lease are made subject to all of the provisions of the proposed form of Facility Lease. This summary does not purport to be a complete statement of such provisions and reference is made to the proposed form of Facility Lease which is included as part of the legal documents accompanying this Official Statement.

THE BONDS

Authority for Issuance

The \$14,800,000 principal amount of San Luis Coastal Unified School District Educational Facilities Corporation Series of 1978 Bonds, herein referred to as the "Series of 1978 Bonds," are to be issued pursuant to the General Non-Profit Corporation Law of the State of California (Title 1, Division 2, Part 1 of the California Corporations Code) and a certain indenture dated May 1, 1978, herein referred to as "the Indenture," to be entered into between the Corporation and Bank of America N.T. & S.A., as Trustee. The Series of 1978 Bonds will be secured under provisions of the Indenture, a copy of the proposed form of which is included in the Basic Legal Documents which accompany this Official Statement.

Table 1

**SAN LUIS COASTAL
UNIFIED SCHOOL DISTRICT
EDUCATIONAL FACILITIES CORPORATION**

Series of 1978 Bonds

Principal Maturities

| Maturity Date May 1 | Principal Amount | Maturity Date May 1 | Principal Amount |
|------------------------|---------------------|------------------------|---------------------|
| 1981 .. | \$ 330,000 | 1991 .. | \$ 700,000 |
| 1982 .. | 360,000 | 1992 .. | 755,000 |
| 1983 .. | 385,000 | 1993 .. | 815,000 |
| 1984 .. | 415,000 | 1994 .. | 875,000 |
| 1985 .. | 450,000 | 1995 .. | 945,000 |
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| 1989 .. | 605,000 | 1999 .. | 1,275,000 |
| 1990 .. | 650,000 | 2000 .. | 1,375,000 |

Terms of Sale

Bids for the purchase of the \$14,800,000 principal amount of the Series of 1978 Bonds will be received by the Corporation at 10:00 A.M., Tuesday, May 2, 1978, at the Conference Room of Stone & Youngberg Municipal Financing Consultants, Inc., Suite 2750, One California Street, San Francisco, California. Details of the terms of sale are included in the Official Notice of Sale adopted by the Board of Directors of the Corporation on April 13, 1978.

Description of the Bonds

The Series of 1978 Bonds will be dated May 1, 1978 and will bear interest from their date, payable semiannually on each May 1 and November 1. The Series of 1978 Bonds will mature on May 1 in each of the years in the designated principal amounts as shown in Table 1.

Redemption Provisions

The Corporation shall have the right, on any date, to redeem the Series of 1978 Bonds, as a whole, or in part by lot within each maturity then outstanding so that the annual debt service for all years after such redemption shall be as nearly equal as practical, from proceeds of insurance paid for loss or substantial damage to the Project Phase I facilities or proceeds of eminent domain proceedings. Redemption shall be at the principal amount and accrued interest thereon to the date fixed for redemption, without premium.

Series of 1978 Bonds maturing on or before May 1, 1995, an aggregate principal amount of \$8,850,000, shall not otherwise be subject to redemption prior to their respective maturity dates.

Series of 1978 Bonds due on or after May 1, 1996, an aggregate principal amount of \$5,950,000, shall also be subject to redemption prior to their respective stated maturities, at the option of the

Corporation, from any source of available funds, on any interest payment date on or after May 1, 1988.

Such Series of 1978 Bonds are callable at the principal amount, plus accrued interest plus a premium equal to: (a) one-fourth of one percent of said principal amount, plus (b) an additional one-fourth of one percent of said principal amount for each year or fraction of a year from the redemption date to the maturity date of the bonds. All or a part of such Series of 1978 Bonds may be so redeemed at any one time. If less than all of said bonds are so redeemed at any one time, such bonds shall be redeemed in inverse order of maturities and by lot within a maturity.

Trustee and Paying Agents

The Bank of America N.T. & S.A., Los Angeles, California, has been appointed by the Corporation as Trustee. The Trustee will receive all of the bond proceeds and will disburse bond moneys in conformity with the Indenture. In addition to holding and administering the various funds of the Corporation, the Trustee will invest the funds held in trust and will be the recipient of the rental revenues of the Corporation relating to the Project. The Trustee will also act as Paying Agent of the Corporation, paying bond interest and principal. The Trustee will act as bond registrar and will authenticate all bonds.

Interest and principal are payable in lawful money of the United States of America at the office of the Corporate Agency Division of the Trustee Bank of America N.T. & S.A., Los Angeles, California, and in the case of coupon bonds, at the option of the holder at the principal office of Bankers Trust Company, in New York, New York, or at the office of Harris Trust and Savings Bank in Chicago, Illinois.

Form, Denomination, and Registration

The Series of 1978 Bonds will be issued as coupon bonds in the denomination of \$5,000, or as fully registered bonds in the denomination of \$5,000 or any multiple thereof so long as principal shall mature in only one year. Coupon bonds and fully registered bonds will be interchangeable at the office of the Trustee as provided for in the Indenture.

CUSIP Numbers

It is anticipated that CUSIP numbers will be printed on the Series of 1978 Bonds but neither failure to print such numbers on any Series of 1978 Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser

thereof to accept delivery of and pay for the Series of 1978 Bonds in accordance with the terms of the purchase contract.

Litigation

There is no litigation pending concerning the validity of the Series of 1978 Bonds, and the Corporation will furnish to the successful bidder a no-litigation certificate certifying to the foregoing at the time of the delivery of the Series of 1978 Bonds.

The California system of levying taxes and applying funds for public school purposes in effect at the time of the Court ruling has been held unconstitutional under provisions of the California Constitution by a California Superior Court in the case entitled *Serrano v. Priest*.

The California Supreme Court in a decision dated December 30, 1976, affirmed the judgment of the Superior Court in that case. The decision requires that a new system for financing California primary and secondary schools must be implemented by September 3, 1980.

The Superior Court judgment as affirmed by the California Supreme Court contains a statement that the existing public school financing system shall continue to operate until an appropriate system, not in violation of the California Constitution, can be placed into effect.

Assembly Bill 65 has been enacted by the California Legislature and has been signed by the Governor in response to *Serrano v. Priest*. This bill is designed to place state school finance "substantially" in compliance with the *Serrano v. Priest* decision.

This legislation significantly increases the amount of state money supplied to public school districts having a low local property tax basis, and provides for some equalization of tax moneys by redistributing some tax revenues of school districts having a high per-pupil property tax basis to school districts having a low per-pupil property tax basis. As the District has a high per-pupil property tax basis, the legislation will affect the District under a provision for redistribution of property taxes. An added tax above the District's current limit will be required to raise funds for a pool to be redistributed to districts of lower taxable wealth. This added tax is estimated at 11.2¢ per \$100 of assessed valuation. Furthermore, the District will not benefit from the increased state financial support to be provided to school districts under the legislation. The bill does not affect tax rate increases approved by voters of school districts for the long term leasing of public school buildings.

Litigation challenging such legislation has been filed. It cannot be predicted whether such legislation will be determined to be constitutional under the standard promulgated in *Serrano v. Priest*. Any further changes resulting from *Serrano v. Priest* in the sources of funds, including property taxation, applied to the support of public schools and any effect thereof on the moneys available to the District to pay rental under the Facility Lease which is the security on the Bonds are not determinable at this time. However, it is not believed that the result of such further litigation will affect the validity of the Facility Lease during its term, even though the result of such further litigation or further legislation enacted in response thereto may affect the ability of the District to levy the voted tax rate increase.

Proposed Tax Limitation Constitutional Amendment

An Initiative Constitutional Amendment, commonly known as the "Jarvis-Gann Initiative", providing for, among other things, certain property tax limitations, will appear on the state-wide ballot in June 1978. The office of the Attorney General of the State of California has, in accordance with applicable law, provided to the Secretary of State of the State of California the following summary of the Jarvis Initiative:

"TAX LIMITATION — INITIATIVE CONSTITUTIONAL AMENDMENT. Limits ad valorem taxes on real property to 1% of value except to pay indebtedness previously approved by voters. Establishes 1975-76 assessed valuation base for property tax purposes. Limits annual increases in value. Provides for reassessment after sale, transfer, or construction. Requires $\frac{2}{3}$ vote of Legislature to enact any change in state taxes designed to increase revenues. Prohibits imposition by state of new ad valorem, sales, or transaction taxes on real property. Authorizes imposition of special taxes by local government (except on real property) by $\frac{2}{3}$ vote of qualified electors. Financial impact: Commencing with fiscal year beginning July 1, 1978, would result in annual loss of local government property tax revenues (approximately \$7 billion in 1978-79 fiscal year), reduction in annual state costs (approximately \$600 million in 1978-79 fiscal year), and restriction on future ability of local governments to finance capital construction by sale of general obligation bonds."

If approved by the voters, the initiative constitutional amendment could have a significant adverse impact on the financial condition of the District. Property tax revenue available to the District, including that generated by the 43¢ voted tax override which is to provide the primary source of funds for the payment of Project rent under the Facility Lease, could be substantially reduced, and future increases in assessed valuation of property within the District could be substantially limited.

The initiative constitutional amendment does not set forth what law is to be used to apportion the one percent tax among over-lapping taxing jurisdictions, and no formula for such apportionment has been proposed. If approved and held valid, the initiative will have significant impact on the taxing powers of local governments, and because of the lack of enabling legislation, will not permit an early assessment of the impact on any one agency.

The Corporation and the District cannot predict whether this initiative constitutional amendment will be approved by the voters of the State of California, or, if approved, whether the validity of the initiative will be challenged in the courts, or, if so challenged, whether the initiative will be upheld, in whole or in part. Also, the District is unable to make any predictions as to whether additional sources of money would be made available by the California Legislature to school districts, including the District, if the initiative is approved and results in a reduction in property tax revenues available to school districts, including the District.

Proposed Property Tax Limitation

On March 3, 1978, the Governor of the State of California signed into law Senate Bill No. 1, commonly known as the "Behr Bill." The Behr Bill provides, among other things, for the taxation of owner-occupied dwellings at a different rate from other taxable property and revises the method of computing the maximum property tax rates which may be levied on property of all types by local agencies. Under the Bill, tax rates in any future fiscal year are generally limited. The Bill provides that voters may impose higher maximum rates by a majority vote. The Behr Bill also provides for a minimum 30% reduction in the tax rate applicable to owner-occupied dwellings, and for full reimbursement to the local taxing entities of the revenue lost as a consequence of this 30% reduction. The Behr Bill does not provide for new sources of revenue to fund the cost of state reimbursement.

By its terms, the Behr Bill will become operative only if (i) Proposition 8, which would amend the California constitution to permit assessment of owner-occupied properties at a different rate than other properties, is approved by the voters at the June 6, 1978 election and (ii) Proposition 13, the Jarvis-Gann Initiative, is rejected by the voters at the June 6, 1978 election or declared unconstitutional by the courts. Due to these contingencies, the Corporation and the District cannot predict if the Behr Bill will ultimately become operative. If the Behr Bill does become operative, the Bill will not affect the ability of the District to levy the voted tax override.

Legal Opinion

The legal opinion of Orrick, Herrington, Rowley & Sutcliffe, San Francisco, California, bond counsel to the Corporation, approving the validity of the Series of 1978 Bonds, will be furnished to the purchasers without charge at the time of the original delivery of the Series of 1978 Bonds. A copy of the legal opinion will be printed on each bond. See the concluding paragraph of the "To Whom It May Concern" section of this Official Statement regarding the scope of bond counsel's employment concerning this Official Statement.

Bond counsel's fee is payable from the proceeds of the bonds and is contingent upon bond delivery, except if the bonds are not issued and the project is abandoned, bond counsel will receive a fee based upon the amount of work performed to said time of abandonment.

Tax Exempt Status

In the opinion of bond counsel, the interest on the bonds will be exempt from all present Federal income taxes under existing statutes, regulations, and court decisions, and the bonds will be exempt from all present taxation in California other than inheritance, estate, gift and franchise taxes.

Eligibility for Deposits of Public Moneys

The Series of 1978 Bonds are eligible for security for deposits of public moneys in California.

Eligibility for National Banks

A request is being made to the Comptroller of the Currency for a ruling that the Series of 1978 Bonds of the Corporation are eligible for purchase, dealing in, underwriting and unlimited holding by national

banks. The ruling is expected prior to the date of sale of the Series of 1978 Bonds.

Sale of Bonds in California

The Division of Corporation Finance of the United States Securities and Exchange Commission has issued a "no-action" letter to the Corporation stating that the Division of Corporation Finance will not recommend any action to the Securities and Exchange Commission if the proposed bond offering is made without prior compliance with the registration requirements of the Securities Act of 1933 or qualification of the Indenture under which the Series of 1978 Bonds are to be issued under the Trust Indenture Act of 1939. The Commissioner of Corporations of the State of California has issued an interpretive opinion stating that the Series of 1978 Bonds are exempt from the qualification requirement of Section 25110 of the California Corporate Securities Law of 1968. The Series of 1978 Bonds are being offered and sold without registration under the Securities Act of 1933 or qualification of the Indenture under the Trust Indenture Act of 1939, and without qualification under the California Corporate Securities Law of 1968, in reliance upon such "no-action" letter and such interpretive opinion.

Resale of Bonds in Other States

The Corporation will furnish to prospective purchasers an information memorandum covering applicability of blue-sky laws in all 50 states, the District of Columbia and Puerto Rico. The memorandum will indicate states in which no action is believed necessary to qualify the Series of 1978 Bonds for offer and sale, states in which the Corporation is taking action to qualify the Series of 1978 Bonds for offer and sale or to obtain exemptions, and states in which additional action is believed necessary to qualify the Series of 1978 Bonds for offer and sale. The purchaser will assume responsibility for any required permits and/or filing fees in states in which additional action is believed necessary, and for complying with the laws of all jurisdictions on resale of the Series of 1978 Bonds, and shall indemnify and hold harmless the Corporation and its officers and directors from any loss or damage resulting from any failure to comply with any such law.

Purpose of Issue

The Series of 1978 Bonds are to be issued to finance the following: (1) classroom, library, shop,

multi-purpose gymnasium, and physical education additions to San Luis Obispo High School, and (2) classroom, shop, library, gymnasium, and physical education additions to Morro Bay High School (herein called "Project Phase I"), all for lease to the San Luis Coastal Unified School District, San Luis Obispo County, California, as more fully described in "The Project" section of this Official Statement.

Security

The Series of 1978 Bonds will be valid, binding, and legal obligations of the Corporation secured under the Indenture by the assignment, transfer in trust, transfer of security interest in, and pledge of the trust estate, including the following, to the Bank of America N.T. & S.A., Los Angeles, California, as Trustee:

(1) The leasehold estate of the Corporation in real property under the Site Lease (Project Phase I) between the District, as lessor, and the Corporation, as lessee;

(2) All rights, title, and interest of the Corporation under the Facility Lease (Project Phase I) between the Corporation, as lessor, and the District, as lessee; and

(3) All of the revenues derived by the Corporation from the use and operation of the Project Phase I to be acquired and constructed pursuant to the Site and Facility Leases.

Bond principal and interest coming due each year will be payable from semiannual base rental payments to be made by the District for use of the facilities financed by the Corporation. The District's base rental specified in the Facility Lease will be in an amount sufficient to pay principal and interest on the Series of 1978 Bonds. Based on an estimated interest rate of 7 3/4 % that may be bid on the Series of 1978 Bonds, the District's annual base rental would be \$1,480,000. The exact amount of the semiannual base rental payment payable by the District will be established subsequent to the determination of the interest rates the Series of 1978 Bonds will bear.

Under provisions of the Facility Lease, the District will also be obligated to pay to the Corporation additional rental, not to exceed \$10,000 annually, to meet administrative costs of the Corporation attributable to the Series of 1978 Bonds.

Authorized District Tax Rate Increase. At an election held on March 8, 1977, voters of the Dis-

trict approved an increase of 43¢ per \$100 of assessed valuation in the District's maximum annual tax rate over the period 1977/78 to 2001/02 for the purposes of preparing plans and specifications and leasing a (1) classroom addition to Baywood Elementary School, (2) classroom, library, shop, multi-purpose gymnasium, and physical education additions to San Luis Obispo High School, and (3) classroom, shop, library, gymnasium, and physical education additions to Morro Bay High School.

Project Phase I will not include the classroom addition at Baywood Elementary School. The District is now constructing the addition to the Baywood Elementary School from available District funds at a construction cost of \$644,000.

The District levied the authorized 43¢ per \$100 assessed valuation tax rate increase in 1977/78. This levy will provide approximately \$1,675,000 in fiscal year 1977/78.

The District anticipates that it will levy the authorized 43¢ per \$100 assessed valuation tax rate increase in 1978/79, so as to provide an estimated additional \$1,750,000. (See the heading "Proposed Tax Limitation Constitutional Amendment" on page 7 for a discussion of a possible limitation on property tax revenue of the District.) The aggregate 1977/78 through 1978/79 levies will provide approximately \$3,425,000 to pay on a cash basis the costs of furniture and equipment, architect and planning fees, surveys, inspections, and various miscellaneous costs. (See "The Project" section of this Official Statement.)

Estimated Rental. The District's estimated annual base rental payable to the Corporation in semi-annual installments beginning October 15, 1980 is estimated at \$1,480,000 assuming an interest rate of 7 3/4 % is bid on the Series of 1978 Bonds. The money derived from the District's lease authorization tax levied in fiscal year 1979/80 is scheduled to be used for the October 15, 1980 and April 15, 1981 lease payments. The money derived from subsequent fiscal year lease authorization taxes is scheduled to be used for subsequent October 15 and April 15 lease payments up to and including April 15, 2000 in an amount sufficient to pay base rental obligations, and additional rental obligations not to exceed \$10,000 annually, pursuant to the Facility Lease (Project Phase I.)

Based on the 1977/78 assessed valuation of \$406,933,391 as supplied by the San Luis Obispo County Auditor-Controller, the authorized 43¢ per

\$100 assessed valuation tax will provide approximately \$1,714,000 or approximately \$224,000 more than the \$1,490,000 lease and additional rental needed based on an estimated 7 3/4% bid on the Series of 1978 Bonds and a tax delinquency of 2% (three year average tax delinquency of 1.23%). The tax rate necessary to support the \$1,490,000 aggregate base rental and additional rental based on these same parameters is 37.4¢ of the 43¢ authorized tax rate increase. (See the heading "Proposed Tax Limitation Constitutional Amendment" on page 7 for a discussion of a possible limitation on assessed valuation of property within the District.)

The estimated rental is based on the following assumptions: (1) actual Project Phase I construction costs as bid, (2) an estimated bid of 7 3/4 percent per annum interest rate on Bonds issued to finance the construction of Project Phase I school facilities, (3) funded interest during and for 4 months beyond the expected completion date of the additions to San Luis Obispo High School and for 9 months beyond the expected completion date of the additions to Morro Bay High School, and (4) the funding of a reserve fund equal to estimated one-half maximum annual debt service.

The facility lease rental proposed to be paid from the 43¢ per \$100 assessed valuation tax rate increase will constitute the only source of funds available for the payment of debt service of the Bonds, and such rentals are payable only from funds of the District legally available therefor. Remedies provided in said Lease for default by the District do not include acceleration of rent.

Additional Series of Bonds

The Corporation does not, at this time, plan to issue any series of bonds beyond the Series of 1978 Bonds. Additional parity bonds may be issued under the Indenture and would be equally and ratably secured under the Indenture with the Series of 1978 Bonds.

Bonds can only be issued to finance public school facilities for lease to the District. Under present law, a majority approving vote at an election in the District is required before the District can enter into additional lease(s).

The Indenture

The following summary of major provisions of the Indenture under which the Series of 1978 Bonds will be issued is presented below. The summary does not

provide a complete and detailed description of all provisions of the Indenture and prospective purchasers of the Series of 1978 Bonds are referred to the proposed form of Indenture contained in the Basic Legal Documents accompanying this Official Statement.

The Trustee. Bank of America N.T. & S.A., Los Angeles, California will be appointed by the Corporation as Trustee. The Trustee will receive all of the bond proceeds and revenues of the Corporation for disbursement in conformity with the Indenture. In addition to administering the various funds of the Corporation, the Trustee will invest all funds held in trust, act as paying agent for the Corporation's Bonds and act as bond registrar.

Creation of Special Funds. The Indenture provides for the establishment of special trust funds, all to be held and administered by the Trustee. The funds applicable to the Series of 1978 Bonds and any additional series of bonds together with their sources and uses are summarized in the tabulation on page 12. Moneys held in the various funds may be invested by the Trustee under the provisions of Section 4.04 of the Indenture.

Disposition of Bond Proceeds. The Indenture provides that the proceeds from the sale of the Series of 1978 Bonds shall be deposited with the Trustee. The Trustee will then make the following deposits:

(1) *Interest Fund.* An amount sufficient to pay the interest accruing on the Series of 1978 Bonds on and before May 1, 1980.

(2) *Corporate Operation Fund.* The sum of \$10,000 which is to be maintained as working capital to pay Corporation administrative expenses, Trustee's fees, or other necessary administrative expenses.

(3) *Reserve Fund.* A sum equal to one-half maximum annual debt service on the Series of 1978 Bonds.

(4) *Construction Fund.* The balance of proceeds from the sale of Series of 1978 Bonds shall be deposited in the Project Construction Account in the Construction Fund and applied to the payment of costs of Project Phase I.

When Project Phase I has been completed, a certificate of the Corporation stating the fact and date of such completion, together with an Architect's certificate stating the fact and date of such completion, shall be delivered to the Trustee by the Corpo-

ration. With the receipt of these certifications the Trustee shall transfer any remaining balance not needed for Project Phase I purposes to the Revenue Fund or to any other Project Construction Account.

Revenue Fund. All base rental revenue shall be paid to the Trustee and deposited by the Trustee to the credit of the Revenue Fund. Moneys in the Revenue Fund, unless needed to be held for later debt service, shall be disbursed, applied, or set aside by the Trustee in the following order of priority:

(1) *Interest Fund.* Commencing on or before October 31, 1980, and on or before April 30 and October 31 of each year thereafter, an amount equal to the aggregate half-yearly amount of interest becoming due and payable on the outstanding Bonds on the next succeeding interest payment date, less any available balances in said fund.

(2) *Principal Fund.* On or before each October 31, beginning October 31, 1980, an amount at least equal to one-half of the Bond principal payable on the next succeeding May 1, and on or before each April 30, beginning April 30, 1981, an amount which, along with any balance on deposit, shall be at least equal to the principal payable on the next succeeding May 1.

(3) *Operation and Maintenance Fund.* If the Corporation shall at any time operate the Project, on or before each April 30 and each October 31 the Trustee shall deposit an amount needed to provide for payment of all costs of operation and maintenance during the next six months.

(4) *Reserve Fund.* A Reserve Fund equal to one-half maximum annual bond service will be created from the proceeds of the Series of 1978 Bonds and be held by the Trustee. Moneys in this Fund shall be used to pay bond principal and interest in the event no other funds are available, and moneys in this Fund in excess of one-fourth of maximum annual debt service may be used for the repair, reconstruction, or replacement of any damaged or destroyed portion of the Project or for the loss of rental income not insured against because of the thirty-day deductible amount. Excess balances in this Fund exceeding one-half maximum annual debt service on outstanding bonds shall be used to the extent needed to increase the balance in the Corporate Operation Fund to the amount required to be on deposit in said Fund and any remaining excess amounts shall be paid to the District.

Moneys in the Revenue Fund, Reserve Fund, Principal Fund, and Interest Fund may be used by the Trustee to reimburse the District for any rental payable under any Facility Lease for a period during which rental is abated and for which no other moneys (including proceeds of the rental interruption or use and occupancy insurance) are available.

Corporate Operation Fund. The Trustee shall deposit in the Corporate Operation Fund from time to time all amounts received in the form of additional rental sufficient to maintain a balance of \$10,000, said moneys to be used to pay all administrative costs of the Corporation.

Investment of Funds. Any moneys in any of the funds may be invested in time deposits including certificates of deposits of banks or savings and loan institutions or in Federal securities, subject to limitations as set forth in the Indenture.

Moneys in the Interest Fund and in the Principal Fund may be invested in obligations which will, as nearly as practicable, mature on or before the respective semiannual interest payment dates or annual Bond maturity dates.

Moneys in the Construction Fund and the Corporate Operation Fund may be invested in obligations which will mature within one year from the date of investment. One-half of the moneys in the Reserve Fund may be invested in obligations which will mature within five years from the date of investment and one-half in obligations which will mature within ten years from the date of investment. Moneys in the Revenue Fund and in the Operation and Maintenance Fund may be invested in obligations which will mature so as to be available when needed.

All interest earned on any such investment shall become part of the fund on which earned, except that such interest earnings received or accrued on Interest Fund and Reserve Fund moneys during construction of any phase of the Project shall be transferred to the appropriate Project Construction Account.

Additional Series of Bonds. Although the Corporation does not plan, at this time, to issue additional series of bonds beyond the Series of 1978 Bonds, Section 3.04 of the Indenture permits the issuance of one or more additional series of parity bonds by supplemental indenture(s) subject to, among other things, the following conditions:

(1) The Corporation shall not be in default under provisions of the Indenture;

(2) The supplemental indenture shall require that the additional series of bonds will be issued for the purposes of acquiring or constructing additional public school facilities for the District, or the making of additions, improvements, or extensions to the Project;

(3) The additional series of bonds shall have no priority over the Series of 1978 Bonds;

(4) The Corporation must enter into a new or amended Facility Lease with the District in which the District obligates itself to increase the base rental under all Facility Leases in amounts sufficient to provide for the payment of the principal of and interest on the additional series of bonds when due;

(5) Provision must be made to increase the Reserve Fund to an amount equal to at least one-half maximum annual bond service on all series of bonds to be outstanding thereafter.

Additional series of parity bonds may also be

issued with the consent of the holders of 60 percent of outstanding bonds.

Title Insurance. A policy of title insurance insuring either the leasehold interest title of the Corporation in the real property described in the Site Lease or the title of the District in such real property will be provided at or prior to delivery of the Series of 1978 Bonds. Said policy will be enforceable for the benefit of the bondholders in the principal amount of the Series of 1978 Bonds.

Fire and Extended Coverage Insurance. While any of the Bonds are outstanding, the Corporation shall cause to be maintained insurance against loss or damage to any structures constituting part of the Project by fire and lightning with extended coverage and vandalism and malicious mischief insurance. Such insurance shall either (1) be in an amount equal to the replacement cost of the structures subject to deductible clauses for any one loss not to exceed the lesser of \$100,000 or the excess of the

TRUST FUNDS

| Fund | Principal Source | Use |
|-----------------------------------------------------------------------|------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Construction Fund (Section 3.03) | Bond Proceeds | Construction, and incidental expenses of bond issuance and delivery. |
| Revenue Fund (Section 4.01) | District Base Rental Payments | Transfers to Interest Fund; Principal Fund; Operation and Maintenance Fund, if needed; Reserve Fund, if needed; and Corporate Operation Fund, if needed. |
| Interest Fund (Section 4.02(a)) | Transfers from Revenue Fund | Bond interest payments. |
| Principal Fund (Section 4.02(b)) | Transfers from Revenue Fund | Bond principal payments. |
| Principal Fund: Sinking Fund Accounts, if any (Section 4.02(b)) | Transfers from Revenue Fund | Redemption of term Bonds, if any, at or prior to maturity. |
| Operation and Maintenance Fund (Section 4.02(c)) | Transfers from Revenue Fund | To meet costs of operation and maintenance if at any time the Corporation shall operate and maintain the Project. |
| Reserve Fund (Section 4.02(d)) | Bond Proceeds and, if depleted, Revenue Fund | Bond principal and interest; payment of final maturities; payment for Project repairs or replacement. |
| Corporate Operation Fund (Section 4.03) . | Bond Proceeds, District Additional Rental Payments, and transfers from Reserve Fund, if needed | Corporate operating expenses. |

available moneys in the Reserve Fund above one-fourth of maximum annual debt service, or (2) be in an amount and in form sufficient to enable the Corporation (together with moneys in the Reserve Fund) either to retire all Bonds then outstanding or to restore the structures to the condition existing before such loss.

Earthquake Insurance. Upon completion of any part of the Project, the Corporation shall cause to be maintained earthquake insurance in an amount equal to the replacement cost of the structures, provided coverage is available at reasonable cost on the open market from reputable insurance companies. Such insurance may be subject to a deductible clause of not to exceed 10% of said replacement cost for any one loss. The contractor will provide the insurance with a 3% deductible during the course of construction. Alternatively, the Corporation may provide earthquake insurance in an amount and form sufficient to enable the Corporation either to retire all bonds then outstanding or to restore the structures to the condition existing before such loss.

Use and Occupancy Insurance. While any of the Bonds are outstanding, the Corporation shall cause to be maintained use and occupancy or rental interruption insurance to cover total or partial loss of rental income from any structure constituting the Project facilities resulting from damages discussed in the "Fire and Extended Coverage Insurance" and "Earthquake Insurance" paragraphs above in an amount sufficient to pay the total rental due for the period of time allowed for the construction of the structures by the construction contractors plus three months subject to a deductible clause of not to exceed the lesser of thirty days or the excess of the available moneys in the Reserve Fund above one-fourth of maximum annual debt service, except that such insurance need be maintained as to the peril of earthquake only following completion of construction and only if available at reasonable cost on the open market from reputable insurance companies.

Public Liability Insurance. Except as provided below, while any of the Bonds are outstanding the Corporation shall cause to be maintained public liability insurance. Minimum liability limits for such insurance are \$1,000,000 for personal injury or death of one person; \$3,000,000 for personal injury or death of two or more persons in each event; and \$200,000 subject to a deductible clause not to exceed \$5,000, for property damage from each event.

Such public liability and property damage insurance may however be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks.

The Corporation shall have the right to provide other kinds of insurance or methods or plans of protection against risk or loss which shall be in substitution for the public liability insurance otherwise required to be maintained by the Corporation, providing such other kinds of insurance, plans or methods shall afford reasonable protection to the Corporation, its members, directors, officers, agents and employees and the Trustee giving consideration to cost, availability and plans or methods of protection adopted by California school districts other than the District.

Eminent Domain. If all or any part of the trust estate shall be taken by eminent domain proceedings, or sold under threat thereof, the proceeds therefrom shall be deposited with the Trustee and applied and disbursed as follows: (a) to be treated as revenues of the Project if the Project's operation has not been materially affected or the Corporation's ability to meet its obligations has not been impaired; or the proceeds shall be used if needed for repair or rehabilitation of the Project; (b) to be used to redeem Bonds if less than all of the Project shall have been taken by eminent domain and if the Project's operation has been materially affected, or the Corporation's ability to meet its obligations has been impaired; and (c) if all of the Project shall have been taken by eminent domain, the proceeds therefrom and any other available monies shall be used to redeem Bonds. If said monies are insufficient the Trustee shall first apply the proceeds to meet the Trustee's costs of administration of its trusts under the Indenture and then to payment of principal and interest on the Bonds then outstanding, in full or ratably without preference or priority.

Non-Liability of Individuals. No recourse shall be had for the payment of the principal of or the interest on the Bonds or for any claim based thereon or otherwise in respect thereof, or based on or in respect of the Indenture or any indenture supplemental thereto, against any incorporator, member, director or officer, as such, past, present or future, of the Corporation or of any predecessor or successor corporation, either directly or through the Corporation or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being by the acceptance of the Bonds

and as part of the consideration for the issue thereof expressly waived and released, as provided in the Indenture.

Additional Covenants. The Indenture contains other covenants, including but not limited to the following whereby the Corporation agrees to:

- (1) Punctually pay the principal and interest on the Bonds as they become due;
- (2) Promptly collect all rents and charges due for the occupancy or use of the Project and to enforce its rights against any tenant who does not pay such rents and charges as they become due;
- (3) Maintain, or cause to be maintained, proper books of record and account;
- (4) Maintain, or cause to be maintained, in good condition and repair the Project facilities;
- (5) Construct and complete Project Phase I in conformity with the construction contracts (under the construction contracts 100% performance bonds and 100% labor and materialmen's bonds will be required of the contractors);
- (6) Pay, discharge, or contest any taxes, assessments, or other charges upon the Project or the revenues.

Remedies of Default: In the event of default, the Trustee may, and upon the written request of holders of not less than 25 percent of the principal amount of Bonds outstanding, shall, by notice in writing to the Corporation, declare and cause the principal of all of the outstanding Bonds and the interest accrued thereon to be due and payable immediately.

Events of default by the Corporation are defined by the Indenture to include:

1. Failure to pay principal, interest or redemption premium on Bonds when due.
2. Failure to perform or observe covenants, agreements, or conditions in the Indenture or in the

Bonds for the specific period of time after notice thereof is given to the Corporation.

3. Termination of the corporate existence of the Corporation.

4. Admission by the Corporation that it is unable to pay its debts, or the filing of any proceedings of bankruptcy by or against the Corporation.

5. If under the provisions of any bankruptcy law, a court appoints a receiver or assumes custody or control of the Corporation or a substantial part of its property, or approves a petition seeking reorganization of the Corporation, failure of the Corporation to terminate or stay such order, judgment or decree, or custody or control within sixty days.

If one or more events of default continue, the Trustee may, in its discretion, and upon the written request of the holders of not less than a majority of the principal amount of Bonds outstanding, and upon being indemnified to its satisfaction, shall, proceed with any of the following remedies: enter and take possession of the trust estate, institute legal proceedings by a suit in equity or action at law, or sell the trust estate. The holders of a majority of the bonds outstanding have the right to direct the time, method, and place of conducting any remedy, or to exercise any trust or power conferred upon the Trustee under the Indenture.

For a more complete discussion of bondholder and trustee powers in the event of default, reference should be made to the Indenture.

Estimated Annual Bond Service

Table 2 on page 15 shows estimated annual bond service on the Corporation's Series of 1978 Bonds based on a 7 3/4 % interest rate that may be bid on the Series of Bonds.

Table 2**SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT EDUCATIONAL FACILITIES CORPORATION****\$14,800,000 Principal Amount Series of 1978 Bonds****Estimated Annual Bond Service**

| Year Ending May 1 | Principal Outstanding May 1 | Interest November 1 at 7 3/4 % | Interest May 1 at 7 3/4 % | Principal Maturing May 1 | Estimated Total Bond Service |
|-------------------------|-----------------------------------|--------------------------------------|---------------------------------|--------------------------------|------------------------------------|
| 1979 | \$14,800,000 | \$ 573,500.00① | \$ 573,500.00① | — | \$ 1,147,000.00 |
| 1980 | 14,800,000 | 573,500.00① | 573,500.00① | — | 1,147,000.00 |
| 1981 | 14,800,000 | 573,500.00 | 573,500.00 | \$ 330,000 | 1,477,000.00 |
| 1982 | 14,470,000 | 560,712.50 | 560,712.50 | 360,000 | 1,481,425.00 |
| 1983 | 14,110,000 | 546,762.50 | 546,762.50 | 385,000 | 1,478,525.00 |
| 1984 | 13,725,000 | 531,843.75 | 531,843.75 | 415,000 | 1,478,687.50 |
| 1985 | 13,310,000 | 515,762.50 | 515,762.50 | 450,000 | 1,481,525.00 |
| 1986 | 12,860,000 | 498,325.00 | 498,325.00 | 485,000 | 1,481,650.00 |
| 1987 | 12,375,000 | 479,531.25 | 479,531.25 | 520,000 | 1,479,062.50 |
| 1988 | 11,855,000 | 459,381.25 | 459,381.25 | 560,000 | 1,478,762.50 |
| 1989 | 11,295,000 | 437,681.25 | 437,681.25 | 605,000 | 1,480,362.50 |
| 1990 | 10,690,000 | 414,237.50 | 414,237.50 | 650,000 | 1,478,475.00 |
| 1991 | 10,040,000 | 389,050.00 | 389,050.00 | 700,000 | 1,478,100.00 |
| 1992 | 9,340,000 | 361,925.00 | 361,925.00 | 755,000 | 1,478,850.00 |
| 1993 | 8,585,000 | 332,668.75 | 332,668.75 | 815,000 | 1,480,337.50 |
| 1994 | 7,770,000 | 301,087.50 | 301,087.50 | 875,000 | 1,477,175.00 |
| 1995 | 6,895,000 | 267,181.25 | 267,181.25 | 945,000 | 1,479,362.50 |
| 1996 | 5,950,000 | 230,562.50 | 230,562.50 | 1,020,000② | 1,481,125.00 |
| 1997 | 4,930,000 | 191,037.50 | 191,037.50 | 1,095,000② | 1,477,075.00 |
| 1998 | 3,835,000 | 148,606.25 | 148,606.25 | 1,185,000② | 1,482,212.50 |
| 1999 | 2,650,000 | 102,687.50 | 102,687.50 | 1,275,000② | 1,480,375.00 |
| 2000 | 1,375,000 | 53,281.25 | 53,281.25 | 1,375,000② | 1,481,562.50 |
| Total | | \$8,542,825.00 | \$8,542,825.00 | \$14,800,000 | \$31,885,650.00 |

① Interest funded into Bond Issue through May 1, 1980 (\$2,294,000). Bonds are dated May 1, 1978.

② Callable from any source of funds on or after May 1, 1988.

Source: Stone and Youngberg Municipal Financing Consultants, Inc.

THE PROJECT

Proposed Facilities

Proceeds from the sale of the \$14,800,000, Series of 1978 Bonds currently being offered will be used to finance: (1) classroom, library, shop, multi-purpose gymnasium, and physical education additions to San Luis Obispo High School, and (2) classroom, shop, library, gymnasium, and physical education additions to Morro Bay High School. The classroom addition to Baywood Elementary School (a part of the ballot proposition) is being constructed with available District funds.

Project Implementation

On March 9, 1978, the Corporation received sealed competitive bids for construction and alternates at Morro Bay High School. The low bid including alternates of \$3,938,538 was submitted by Robert G. Fisher Company, Inc. of Fresno, California.

On April 4, 1978, the Corporation received sealed competitive bids for construction and alternates at San Luis Obispo High School. The low bid and alternate of \$7,196,000 was submitted by Robert G. Fisher Company, Inc. of Fresno, California.

Upon delivery of the Series of 1978 Bonds, the Corporation will enter into construction contracts with Robert G. Fisher Company, Inc. of Fresno, California for construction of the above described facilities. The Office of State Architect has approved the plans and specifications for the Phase I facilities and has certified their conformance to fire, safety, and earthquake structural safety standards. Completion of construction at Morro Bay High School is expected by August 1 of 1979 while completion of construction at San Luis Obispo High School is expected by January 1, 1980.

A labor and materials bond of 100% of the contract amount and a performance bond of 100% of the contract amount is required of each contractor.

Each contractor is also required by the construction contract to carry public liability and property damage and worker's compensation insurance during the construction period and until the building has been accepted by the District and the Corporation.

Each contractor will maintain builder's risk insurance and earthquake insurance during the construction period, against loss or damage by earthquake in an amount not less than the full insurable value of the properties, subject to a 3% deductible for any loss.

Rental interruption insurance is to be maintained by the Corporation.

The District has levied a pre-lease tax of 43¢ per \$100 assessed valuation in 1977/78. This tax will produce an estimated \$1,675,000 to fund on a cash basis some project costs. The District expects to levy 43¢ of the authorized pre-lease tax in 1978/79 to fund additional project costs amounting to approximately \$1,750,000. (See the heading "Proposed Tax Limitation Constitutional Amendment" on page 7 for a discussion of a possible limitation on property tax revenues of the District.)

District 1977/78—1978/79 Pre-Lease Levies

| Expenditures | Estimated Cost |
|---------------------------------------------------------------------------|----------------|
| Furniture and Equipment | \$ 969,753 |
| Architect and engineering fees | 846,092 |
| Site Development | 1,425,946 |
| Surveys, plan check fees, testing, inspection, advertising for bids | 183,209 |
| Total Estimated Cost | \$3,425,000① |

① The District has received the 1977/78 levy which approximates \$1,675,000.

The following table shows the remaining costs of Project Phase I and bond issue requirements.

**SAN LUIS COASTAL
UNIFIED SCHOOL DISTRICT
EDUCATIONAL FACILITIES CORPORATION**
**Estimated Project Costs and Bond
Issue Requirements**

| | |
|------------------------------------------------------------------|---------------|
| Construction | \$11,134,538 |
| Construction Contingency at 4% | 485,355 |
| Costs of Bond Issuance | 125,000 |
| Insurance | 10,000 |
| Corporation Operation Fund | 10,000 |
| Subtotal | \$11,764,893 |
| Add: Funded interest estimated at 7 3/4 % for 24 months | \$ 2,294,000 |
| Reserve Fund (one-half maximum annual bond service) | 741,107 |
| Total Project Cost and Bond Issue Requirements | \$14,800,000① |

① Interest earnings on the Construction Fund, Reserve Fund and Funded Interest Fund have not been incorporated into reducing the size of the bond issue. Any earnings not used for purposes of these funds will be available to pay debt service on the bonds.

The District received a \$912,577 federal grant from the Local Public Works Law (Economic Development Administration) for the construction and furnishing of a gymnasium-physical education addition at Los Osos Junior High School. Construction is now in progress. The District is also constructing the addition to the Baywood Elementary School from available District funds at a construction cost of \$644,000.

DISTRICT ORGANIZATION AND FINANCIAL DATA

Organization

The information contained herein concerning the San Luis Coastal Unified School District is included because the District is the proposed lessee of Project Phase I. However, the Series of 1978 Bonds are bonds of the Corporation and are not a debt or obligation of the District.

The San Luis Coastal Unified School District provides elementary and secondary school educational services to residents of a 244 square-mile area that includes the city of San Luis Obispo, the city of Morro Bay, and the unincorporated areas of Baywood-Los Osos and Avila Beach. The District has operated as a unified school district under the Laws of the State of California continuously since 1965. The District is governed by an independent Board of Education of seven members who are elected from trustee areas for over-lapping four-year terms. The Superintendent, who is appointed by the Board of Education, administers the District's affairs in accordance with policies of the Board of Education. The present superintendent, Dr. William H. Newman, has served the District in this capacity since 1973. Dr. Newman has had more than 27 years of professional experience in public education and administration.

Dr. Newman is directly assisted by Dr. Charles Lewin, Associate Superintendent, Dr. John E. Perko, Assistant Superintendent, and Mr. James W. Marquis, Director of Personnel.

Facilities and Attendance

The District's facilities include 13 elementary schools, 3 junior high schools, 2 senior high schools, and 1 continuation school. In addition, it offers separate adult education and instruction at the California Men's Colony. The 1977/78 budget, which exceeded \$20,000,000, provided for the employment of 382 full-time certificated, 154 full-time classified, 35 administrative, and 211 part-time certificated and classified employees. The District's K-twelve enrollment as of October, 1977 totaled 7,588. Table 3 on page 19

shows District assessed valuations and average daily attendance since 1973/74. These data indicate the District's assessed valuation increased approximately 97.1 percent and assessed valuation per unit of average daily attendance increased approximately 78.9 percent. Estimated average daily attendance of 8,714 for fiscal year 1977/78 represents an increase of approximately 10.1 percent since 1973/74.

Assessed Valuations

The San Luis Obispo County Assessor assesses property for District tax purposes. The State Board of Equalization reports that the 1977/78 San Luis Obispo County assessed valuations average 18.1 percent of full market value, except for public utility property, which is assessed by the State at 25 percent of full value.

Under California law, two types of exemptions of property from ad valorem taxes became effective in the 1969/70 fiscal year. One exempts 50 percent of the value of business inventories from ad valorem taxes. The other provides for an exemption of \$1,750 of the assessed valuation of an owner-occupied dwelling if the owner files for the exemption. Under a Constitutional Amendment, the California Legislature can raise the exemption (See "Proposed Property Tax Limitation" page 7 of this Official Statement). Revenue estimated to be lost to each taxing entity as a result of such exemptions is fully reimbursed to the taxing entity from state funds. The reimbursement is based upon total taxes which would be due on the assessed valuation of the property qualifying for these exemptions, without allowance for tax collection delinquencies.

In 1977/78, District homeowners' and business inventory exemptions totaled \$21,134,958. Table 4 on page 19 shows a five-year history of the District's assessed valuations by tax roll prior to deductions for the two previously discussed special exemptions. Table 5 also on page 19 presents the District's 1977/78 assessed valuation by tax roll before and after these exemptions.

Table 3
SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
Assessed Valuation and Average Daily Attendance

| Fiscal Year | Assessed Valuation | Average Daily Attendance ^① | Assessed Valuation Per Unit Average Daily Attendance |
|---------------|--------------------|---------------------------------------|------------------------------------------------------|
| 1973/74 | \$206,452,259 | 7,911 | \$26,096 |
| 1974/75 | 246,975,564 | 8,227 | 30,020 |
| 1975/76 | 293,851,381 | 8,523 | 34,477 |
| 1976/77 | 328,279,580 | 8,634 | 38,021 |
| 1977/78 | 406,933,391 | 8,714 | 46,698 |

① Estimated in 1977/78 and includes adult education.

Source: Assessed valuations: San Luis Obispo County Auditor-Controller. Average daily attendance supplied by San Luis Coastal Unified School District.

Table 4
SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
Assessed Valuations by Tax Roll

| | 1973/74 | 1974/75 | 1975/76 | 1976/77 | 1977/78 |
|----------------------|---------------|---------------|---------------|---------------|---------------|
| Secured Roll | \$110,446,799 | \$131,977,355 | \$157,472,010 | \$163,306,886 | \$195,777,525 |
| Unsecured Roll | 10,414,220 | 12,209,469 | 13,831,461 | 16,021,064 | 16,892,336 |
| Utility Roll | 85,591,240 | 102,788,740 | 122,547,910 | 148,951,630 | 194,263,530① |
| Total | \$206,452,259 | \$246,975,564 | \$293,851,381 | \$328,279,580 | \$406,933,391 |

① The Diablo Canyon Nuclear Power Station (an installation of Pacific Gas & Electric Company) accounts for \$147,746,550 of the utility assessed valuation.

Source: San Luis Obispo County Auditor-Controller and Assessor.

Table 5
SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
1977/78 Assessed Valuation Showing Homeowner and Business Inventory Exemptions

| Tax Roll | Taxable Assessed Valuation | Homeowner Exemptions | Business Inventory Exemptions | Assessed Valuation for Revenue Purposes |
|-----------------|----------------------------|----------------------|-------------------------------|-----------------------------------------|
| Secured | \$177,853,598 | \$16,123,279 | \$1,800,648 | \$195,777,525 |
| Unsecured | 13,681,440 | 28,537 | 3,182,359 | 16,892,336 |
| Utility① | 194,263,395 | — | 135 | 194,263,530 |
| Total | \$385,798,433 | \$16,151,816 | \$4,983,142 | \$406,933,391 |

① The Diablo Canyon Nuclear Power Station (an installation of Pacific Gas & Electric Company) accounts for \$147,746,550 of the utility assessed valuation.

Source: San Luis Obispo County Auditor-Controller.

Revenue Limitations

Since 1973/74, California school districts have operated under general purpose property tax revenue limitations established in legislation adopted in 1973. Since 1973 allowable annual general purpose tax rates to be applied to a district's assessed valuation have been derived from a statutory formula which takes into account a number of factors including adjustments for inflation, limited mandatory contributions to the Teachers' Retirement System, basic state aid, state equalization aid, changes in average daily attendance, and prior years tax collections. The tax required to raise the general purpose moneys is the District's maximum general purpose tax rate.

The District's revenue limit per unit of average daily attendance and general purpose tax rate in 1975/76 were: \$1,459.39 and \$3.93, respectively.

In 1976/77, the revenue limit per unit of average daily attendance was \$1,659.74 with a general purpose tax rate of \$4.04.

The estimated 1977/78 revenue limit per unit of average daily attendance is \$1,945.82. The 1977/78 general fund tax rate per \$100 assessed valuation is \$3.95. (See "Tax Rate" section of this Official Statement).

See the subheading "Litigation" in the Bond Section of this Official Statement for a discussion of the impact of the California Supreme Court decision in *Serrano v. Priest* on California school districts, including the District.

Tax Rates

The 1977/78 District general fund tax rate per \$100 assessed valuation is \$3.95.

Table 6 above shows the San Luis Coastal Unified School District general fund tax rate for 1977/78.

Tax Code Area No. 112-015 (1977/78 assessed valuation of \$138,235,871 including homeowners' and business inventory exemptions) is the largest tax code area in the District. All tax rates per \$100 assessed valuation in this code area is presented in the tabulation on the right.

Total 1977/78 tax rates per \$100 assessed valuation in the District's 79 tax code areas ranged from a high of \$12.16 to a low of \$7.95.

Table 6

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT

1977/78 General Fund Tax Rate by Purpose

| Purpose | Tax Rate |
|-----------------------------------|----------|
| General Purpose | \$3.39 |
| Community Services | .10 |
| Meals for Needy Pupils | .01 |
| State School Building Loan | .01 |
| Lease Purchase ^① | .43 |
| OSHA | .01 |
| Total General Fund | \$3.95 |

^① Pre-Lease for Project Phase I cash outlays. (See "Project" section of this Official Statement).

Source: San Luis Coastal Unified School District.

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT

Tax Code Area 112-015

1977/78 Tax Rates

| Tax Agency | Tax Rate |
|-----------------------------------------------------------------------|----------|
| Avila General Fund | \$2.530 |
| Accumulated Capital Outlay | |
| Fair Political Practice | .010 |
| Air Pollution Control | .010 |
| Special Roads No. 3 | .060 |
| County Library | .150 |
| San Luis Coastal U.S.D. | 3.950 |
| San Luis Obispo County Community College | .660 |
| County School Service: Capital Outlay | .030 |
| County School Service | .070 |
| School District Equalization | .170 |
| Physically Handicapped Minors | .050 |
| Educationally Mentally Retarded Regional Occupational Center | .030 |
| Development Center | .040 |
| San Luis Obispo High School: Bonds | .020 |
| San Luis Obispo County Community Col- lege: Bonds | .150 |
| Port: San Luis Harbor | .150 |
| San Luis Obispo County Flood Control | .020 |
| State Water Service Contract | .040 |
| Nacimiento Water Service | .020 |
| Total Tax Rate | \$8.160 |

Source: San Luis Obispo County Auditor-Controller.

Tax Levies, Collections, and Delinquencies

School District secured taxes appear on the same tax bill as County and City taxes, are payable in equal installments on November 1 and February 1, and become delinquent on December 10 and April 10, respectively. Taxes on properties appearing on

the unsecured roll are assessed on March 1 and become delinquent the following August 31. Table 7 summarizes the general purpose secured tax levies and the amount and percentage of the levy delinquent as of June 30 for the past five fiscal years in the District's tax code areas. During this period the rate of current year tax delinquency averaged 1.44 percent (three year average 1.23%).

Table 7

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT Secured Tax Collections and Delinquencies

| Fiscal Year Ending June 30 | Secured Tax Levy | Amount Collected | Delinquent Amount | Percent Delinquent | Total Collections (June 30) ① |
|----------------------------------|---------------------|---------------------|----------------------|-----------------------|-------------------------------------|
| 1972/73 | \$ 7,211,634 | \$ 7,093,522 | \$118,111 | 1.64% | \$ 7,171,505 |
| 1973/74 | 7,612,084 | 7,468,673 | 143,410 | 1.88 | 7,558,467 |
| 1974/75 | 7,748,259 | 7,617,605 | 130,654 | 1.69 | 7,677,023 |
| 1975/76 | 10,332,142 | 10,205,252 | 126,889 | 1.23 | 10,260,475 |
| 1976/77 | 11,899,342 | 11,806,030 | 93,311 | .78 | 11,939,032 |

① Includes prior years' redemptions, penalties and interest on secured roll.

Source: San Luis Obispo County Auditor-Controller.

Large Taxpayers

The ten largest taxpayers in the District are presented below, as reported by the San Luis Obispo County Assessor.

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT

Ten Largest Taxpayers

| Taxpayer | Service | 1977-78 Assessed Valuation |
|-------------------------------------|-----------------------------|----------------------------------|
| Pacific Gas & Electric | Utility | \$180,034,870 |
| Pacific Telephone | Utility | 8,533,730 |
| American Telephone & Telegraph | Utility | 2,899,420 |
| American Medical International Inc. | Hospital | 2,374,500 |
| Union Oil of California | Oil Terminal | 2,243,669 |
| A. Madonna | Construction and Restaurant | 1,851,055 |
| TRW Inc. | Manufacturer | 1,738,035 |
| Southern California Gas | Utility | 1,569,880 |
| Valley Vista Land Corporation | Developers | 1,100,025 |
| Central Coast Hospital Co. | Hospital | 960,600 |

General Fund Income and Expenditures

Table 8 presents a four-year summary of income and expenditures of the San Luis Coastal Unified School District as reported in annual audits and financial reports of the District. Also included in

Table 8 are the annual revised expenditure budgets and the variation of these budgets to actual expenditures. (See the heading "Proposed Tax Limitation Constitutional Amendment" on page 7 for a discussion of a possible limitation on property tax revenues of the District.)

Table 8

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT

Summary of General Fund Income, Expenditures and Transfers

| Fiscal Year | 1973/74 | 1974/75 | 1975/76 | 1976/77 |
|------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Beginning Balance: | \$ 230,161 | \$ 360,268 | \$ 43,468 | \$ 1,451,713 |
| Adjustments to Accounts Receivable | 240 | (26,793) | 36,864 | 96,994 |
| Adjustments to Accounts Payable | 7,689 | (30,281) | (9,154) | 31,818 |
| Net Beginning Balance | \$ 238,090 | \$ 303,194 | \$ 71,178 | \$ 1,580,525 |
| Income: | | | | |
| Federal Income | \$ 128,091 | \$ 94,698 | \$ 209,993 | \$ 298,536 |
| State Income | 2,345,518 | 2,384,812 | 2,555,024 | 2,928,017 |
| County Income | 67,220 | 84,612 | 78,958 | 104,933 |
| Property Taxes | 7,935,777 | 8,055,914 | 10,655,288 | 12,432,638 |
| Other Local Income | 43,569 | 105,395 | 83,727 | 130,842 |
| Incoming Transfers | — | — | — | 970,059 |
| Total Income | <u>\$10,520,175</u> | <u>\$10,725,431</u> | <u>\$13,582,990</u> | <u>\$16,865,025</u> |
| Total Beginning Balance and Income | <u>\$10,758,265</u> | <u>\$11,028,625</u> | <u>\$13,654,168</u> | <u>\$18,445,550</u> |
| Expenditures ^① : | | | | |
| Certificated Salaries | \$ 5,842,525 | \$ 6,448,420 | \$ 7,349,587 | \$ 8,040,268 |
| Classified Salaries | 1,362,013 | 1,484,339 | 1,757,035 | 2,063,242 |
| Employee Benefits | 779,511 | 850,220 | 1,146,445 | 1,406,095 |
| Books, Supplies and Equipment Replacement | 825,526 | 776,856 | 996,462 | 1,006,356 |
| Contracted Services and Other Operating Expenses | 385,594 | 452,523 | 567,716 | 704,303 |
| Sites, Buildings, Books and Media, and Equipment | 201,965 | 254,806 | 316,381 | 3,638,858 |
| Other (including Transfers) | 1,000,863 | 717,993 | 68,829 | 100,746 |
| Total Expenditures | <u>\$10,397,997</u> | <u>\$10,985,157</u> | <u>\$12,202,455</u> | <u>\$16,959,868</u> |
| Budget Appropriations June 30 | <u>\$10,355,373</u> | <u>\$11,115,424</u> | <u>\$12,315,189</u> | <u>\$17,176,765</u> |
| Variance to Actual Expenditures | <u>\$ 42,624</u> | <u>\$ 130,267</u> | <u>\$ 112,734</u> | <u>\$ 216,897</u> |
| Ending Balance June 30 | <u>\$ 360,268</u> | <u>\$ 43,468</u> | <u>\$ 1,451,713</u> | <u>\$ 1,485,682</u> |

^① Beginning in 1974/75 all school districts in the State of California were required to follow accounting and financial reporting procedures in accordance with revenue source categories and classification object code prescribed by the California State Accounting Manual. Certain expenditure items prior to 1974/75 cannot, therefore, be directly compared with subsequent years.

Source: Annual Financial and Budget Report (Form J41), July 1 to June 30, adopted by the Governing Board of the District for individual years.

Table 9**SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT****General Fund Income and Expenditures 1976/77 and Budget 1977/78**

| | 1976/77 Actual | 1977/78① Budget |
|--------------------------------------------------------|----------------------------|---------------------------|
| Beginning Balance | \$ 1,451,713 | \$ 1,485,682 |
| Adjustments to Accounts Receivable | 96,994 | — |
| Adjustments to Current Liabilities | 31,818 | — |
| Net Beginning Balance | <u>\$ 1,580,525</u> | <u>\$ 1,485,682</u> |
| Revenues: | | |
| Federal Income | \$ 298,536 | \$ 1,139,902 |
| State Income | 2,928,017 | 2,242,089 |
| County Income | 104,933 | 104,933 |
| Property Taxes | 12,432,638 | 15,861,973 |
| Other Local Income | 130,842 | 105,826 |
| Incoming Transfers | 970,059 | — |
| Total Income | <u>\$16,865,025</u> | <u>\$19,454,723</u> |
| Total Revenues Available | <u>\$18,445,550</u> | <u>\$20,940,405</u> |
| Expenditures: | | |
| Certificated Salaries | \$ 8,040,268 | \$ 8,387,656 |
| Classified Salaries | 2,063,242 | 2,258,912 |
| Employee Benefits | 1,406,095 | 1,571,577 |
| Books, Supplies and Equipment Replacement | 1,006,356 | 1,250,163 |
| Contracted Services and Other Operating Expenses | 704,303 | 779,883 |
| Sites, Buildings, Books and Media, and Equipment | 3,638,858 | 4,671,218 |
| Other | 100,746 | 1,625,398 |
| Total Expenditures | <u>\$16,959,868</u> | <u>\$20,544,807</u> |
| Ending Balance June 30 | <u><u>\$ 1,485,682</u></u> | <u><u>\$ 395,598②</u></u> |

① District reports that 1977/78 income and expenditures reflect a normal pattern to date. District anticipates being within the Budget at year end.

② General Reserve.

Source: Annual Financial and Budget Report (Form J41), July 1, 1977, to June 30, 1978, adopted by the Governing Board of the District on August 2, 1977.

The tabulation in Table 9 above shows a summary of the District's 1976/77 actual income and expenditures as shown in the annual audit report, and a summary of the District's 1977/78 general fund budget.

If the "Jarvis-Gann Initiative" (see "Proposed Tax Limitation Constitutional Amendment" on page 7 of this Official Statement) is approved by the voters on June 6, 1978, it is estimated that the District may experience an income loss of approximately 51

percent (estimated at \$10,000,000) unless the California legislature provides funds from other sources. Legislation to provide additional funds has been introduced but no prediction can be made as to whether such legislation will be enacted. The District Board has decided to continue educational services as originally planned without preparing a contingency 1978/79 Budget reflecting this estimated income loss. If the Initiative is approved by the voters, the District's Board will develop a Budget reflecting this estimated income loss.

Fund Balances

A summary of the District's fund balances as of June 30 for each of the past four years is presented below.

SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT

Fund Balance as of June 30 for Fiscal Years 1973/74 through 1976/77

| Name of Fund | 1973/74 | 1974/75 | 1975/76 | 1976/77 |
|---------------------------------------|------------|-----------|--------------|--------------|
| General Fund | \$ 360,268 | \$ 43,468 | \$1,451,713① | \$1,485,682① |
| Bond Interest and Redemption Fund ... | 313,550 | 225,097 | 235,108 | 211,453 |
| Special Reserve② | 1,847,904 | 1,738,964 | 970,059 | — |
| Cafeteria Fund | 10,538 | 21,626 | 17,082 | 16,946 |

① Reflects the on-going building program as collected through the general fund for capital construction financed on a cash basis.

② Sub-fund of the general fund for capital construction. See footnote ① above.

Source: Annual Financial and Budget Report (Form J41), July 1 to June 30, adopted by the Governing Board of the District for individual years.

Employer-Employee Relations

Until July 1, 1976 the District operated under the Winton Act which required that the District "meet and confer" in good faith with its certificated employees concerning matters of employer-employee relations. In the fall of 1974 the Legislature enacted a public school employee collective bargaining law known as the Rodda Act which became effective in stages on January 1, 1976, April 1, 1976 and July 1, 1976. This law provides that employees are to be divided into appropriate bargaining units which are to be represented by an exclusive bargaining agent.

The teachers and related certificated employees of the District have, as a result of an election held on January 28, 1977, selected the San Luis Coastal Unified Teachers Association as their exclusive bargaining agent. Negotiations with the San Luis Coastal Unified Teachers Association for a contract covering this school year are presently in progress. It is not possible at this time to predict the course of these negotiations, including whether any strikes or work stoppages may occur, or the cost to the District of any contract which may result.

The California School Employees Association San Luis Obispo Chapter No. 89 has been selected as the exclusive bargaining agent for the employees of the Clerical-Fiscal-Aides bargaining unit, pursuant to the Representative Election Agreement dated Jan-

uary 7, 1977. The Service Employees International Union (AFL-CIO) Local No. 620 has been selected as the exclusive bargaining agent for the Maintenance-Operations-Transportation-Food Services bargaining unit, pursuant to the Representative Election Agreement dated January 7, 1977. Negotiations resulted in a collective bargaining agreement for both bargaining units commencing July 1, 1977 and remaining in effect through June 30, 1980.

If the "Jarvis-Gann Initiative" (see "Proposed Tax Limitation Constitutional Amendment" on page 7 of this Official Statement) is approved by the voters on June 6, 1978, it is estimated that the District may experience an income loss of approximately 51 per cent (estimated at \$10,000,000) unless the California legislature provides funds from other sources. Legislation to provide additional funds has been introduced, but no prediction can be made as to whether said legislation will be enacted. The District Board has decided to continue educational services as originally planned without preparing a contingency 1978/79 Budget reflecting the above estimated income loss. No notice of termination to employees of the District is currently planned by the Board. If the Initiative is approved by the voters on June 6, 1978, the Board will reassess the District's financial position in relationship to available funds for all District personnel and other needs.

Pension Plans

The District participates in the State of California Teachers' Retirement System (STRS). This plan covers basically all full-time certificated employees. The District's contribution to STRS for fiscal year 1976/77 amounted to \$483,826, which includes both current costs and backfunding. The contribution is expected to be \$514,145 in 1977/78.

The District also participates in the State of California Public Employees' Retirement System (PERS). This plan covers all classified personnel who are employed at least 50 percent of the work-week. The District's contribution to PERS for 1976/77 amounted to \$165,211, including current costs and backfunding. The contribution is expected to be \$181,867 in 1977/78.

Both systems are operated on a statewide basis. Records are maintained in such a way that information relating to vested benefits, unfunded vested benefits, and prior service costs are not available for the District.

The State Teachers' Retirement System (STRS) operates under provisions of the State Education Code. The System includes California public teachers from preschool through grade fourteen and certain other employees of the public school system. There were approximately 334,200 active members, 72,368 benefit recipients, and 1,149 participating agencies at June 30, 1977. Membership is mandatory for all certificated employees meeting the eligibility requirements.

The System is financed by earnings from investments and contributions from members, school districts, and the State of California. Under present rules, members contribute eight percent of applicable earnings, and school districts contribute a percentage of applicable member earnings, rising to eight percent beginning July 1, 1978. However, under legislation enacted in 1977, new increased rates, effective July 1, 1979, would result in total contributions of 21 percent of payroll after a five-year period. The employer rate would increase to 10 percent, and the State of California would contribute three percent with the employee rate remaining at eight percent.

At June 30, 1977, the total unfunded obligation of the System was \$8,228,721,919, as determined by the independent actuary. This includes the present value of future State contributions provided by the State Teachers' Retirement Law (\$1,666,000,000). Comparable figures for June 30, 1976 were \$9,420,709,989 and \$1,577,182,428, respectively. In

the opinion of the Chief Executive Officer for STRS, the additional contributions referred to above, while helpful, will not solve the funding problem.

Actuarial valuations of the System are based upon the entry-age-normal cost method, which is a projected benefit cost method wherein level normal cost rates (contributions) are computed sufficient to fund benefits over the entire service life of members. The System's financial statements are prepared on the accrual basis of accounting.

The State Teachers' Retirement System's actuary is Milliman & Robertson, Inc., of San Francisco, California; Investment Counsel for equities is Scudder Stevens & Clark, Inc., San Francisco, California; auditor is Coopers & Lybrand, Sacramento, California.

The State Public Employees' Retirement System (PERS). This system, originally established in 1931, is governed by an eleven member Board of Administration, including the State Director of Finance. As of June 30, 1977, there were 556,759 members, of whom approximately 10% are classified as "safety" members (principally fire and police duties) and the balance are classified as "miscellaneous" members (management, administrative, staff, operational and clerical employees).

Approximately 33% of the members are state personnel and the balance (67%) are public agency personnel. As of June 30, 1977, the System provided retirement, death and survivor benefits under 980 contracts for about 1,950 public agency employers (cities, counties, and other public agencies) with 374,051 members. The System's funding is by employer and employee contributions together with investment income. Contributions fluctuate yearly depending on the number of members and their respective salary schedules. The annual contribution by the State of California for the 1975 and 1976 fiscal years, as reported by the State Controller, was \$231,057,854 and \$289,502,746, respectively. The annual contributions by employers for the 1975/76 fiscal years was \$598,526,949. The annual contributions by employees for the 1975/76 fiscal year was \$306,801,465. The System's financial statements are prepared on an accrual basis of accounting and the System's auditor is Coopers and Lybrand, Sacramento, California. Citicorp Investment Management, Inc., San Francisco, provides investment advisory services. The System's actuarial activities are conducted internally on a continuous basis, with an experience analysis being conducted no less than every four years. This was last done as of June 30, 1974.

Total assets of the System at June 30, 1976 were \$7,896,416,533, according to the annual report. Of this amount, net assets of \$7,858,768,831 were available for benefits. The unfunded obligation of the System was determined to be \$6,753,964,123 at June 30, 1976, based on an actuarial valuation performed by PERS. The amount of the respective unfunded liabilities will vary from time to time depending upon the actuarial assumptions utilized, rates of return on investments, and salary scales. The present System policy is designed to satisfy the unfunded obligation by June 30, 2000.

Bonded Indebtedness

As of May 2, 1978, San Luis Coastal Unified School District will have general obligation bonds outstanding amounting to \$924,000 (supplied by the San Luis Obispo County Auditor-Controller).

Direct and Estimated Overlapping Bonded Debt

The State of California Education Code provides that a unified school district shall not enter into any long term leases of buildings if the combination of: (a) 50 percent of the District's rental payments under such leases, plus (b) the outstanding district general obligation bonded indebtedness, exceeds 12.5 percent of the district's net taxable assessed valuation plus homeowners' and business inventories exemptions.

Based on the District's 1977/78 assessed valuation

for this purpose (\$406,933,391) the 12.5 percent limit of anticipated lease rentals and general obligation bonded debt equals approximately \$50,865,000. The maximum aggregate lease rental payable by the District under the Project Phase I Facility Lease includes (a) base rental of \$29,600,000 assuming an interest rate of 7 3/4 percent is bid on the Series of 1978 Bonds, and (b) additional rental not to exceed \$10,000 per year over the term of the Project Phase I Facility Lease, or \$200,000 in the aggregate. Fifty percent of the District's lease rentals (\$14,800,000) plus general obligation bonded debt (\$924,000) will approximate 31 percent of the District's general obligation bonded debt and lease rental limitation of \$50,865,000.

The direct and estimated overlapping bonded debt of the District is shown in Table 11, page 27. The \$14,800,000 principal amount of the Corporation's Series of 1978 Bonds is shown for informative purposes only since bonds of the Corporation are not a debt or obligation of the District.

The District's share of authorized and unsold bonds is \$84,000 of Bellevue-Santa Fe Unified School District bonds. State School Building Aid repayable as of June 30, 1977 was \$55,472.

Other Indebtedness

A schedule of the District's debt service on outstanding general obligation bonds is shown in Table 10 below. The District has no other long term leases or indebtedness.

Table 10
SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT
General Obligation Bonded Debt

| Fiscal Year | Principal | Interest | Total Debt Service |
|------------------------|-----------------------|---------------------|-----------------------|
| 1977-78 | \$ 170,000.00 | \$ 36,003.50 | \$ 206,003.50 |
| 1978-79 | 166,000.00 | 30,280.50 | 196,280.50 |
| 1979-80 | 163,000.00 | 24,681.00 | 187,681.00 |
| 1980-81 | 163,000.00 | 19,130.00 | 182,130.00 |
| 1981-82 | 163,000.00 | 13,579.00 | 176,579.00 |
| 1982-83 | 94,000.00 | 7,603.00 | 101,603.00 |
| 1983-84 | 74,000.00 | 5,090.50 | 79,090.50 |
| 1984-85 | 52,000.00 | 3,157.50 | 55,157.50 |
| 1985-86 | 54,000.00 | 1,281.50 | 55,281.50 |
| 1986-87 | 4,000.00 | 560.00 | 4,560.00 |
| 1987-88 | 4,000.00 | 400.00 | 4,400.00 |
| 1988-89 | 4,000.00 | 240.00 | 4,240.00 |
| 1989-90 | 4,000.00 | 80.00 | 4,080.00 |
| TOTAL | \$1,115,000.00 | \$142,086.50 | \$1,257,086.50 |

Source: San Luis Coastal Unified School District.

Table 11**SAN LUIS COASTAL UNIFIED SCHOOL DISTRICT****Statement of Direct and Estimated Overlapping Bonded Debt^①**

| Estimated Population | 60,000 | |
|------------------------------------------------------------------------------------------|------------------------------|---------------------------------------------------|
| 1977/78 Assessed Valuation | \$ 406,933,391 ^② | |
| Estimated Real Value | \$1,369,235,000 ^③ | |
| | | Estimated Debt Applicable May 2, 1978 |
| Public Entity | Percent Applicable | |
| San Luis Obispo County Flood Control and Water Conservation District No. 3 .. | 9.137% | \$ 1,041,161 |
| San Luis Obispo County Community College District | 54.621 | 6,529,941 |
| San Luis Coastal Unified School District Educational Facilities Corporation | 100. | 14,800,000 ^④ |
| San Luis Obispo High School District | 100. | 418,000 |
| Bellevue-Santa Fe School District | 100. | 42,000 |
| San Luis Obispo School District | 100. | 392,000 |
| Los Ranchos School District | 100. | 66,000 |
| Sunnyside School District | 100. | 27,000 |
| City of San Luis Obispo | 100. | 2,880,000 |
| San Luis Obispo Parking District No. 1 | 100. | 205,000 |
| San Luis Obispo 1915 Act Bonds | 100. | 64,676 |
| City of Pismo Beach | 13.451 | 99,537 |
| City of Morro Bay 1915 Act Bonds | 100. | 279,500 |
| El Morro County 1915 Act Bonds | 100. | 197,679 |
| TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT .. | | \$27,042,494 |
| Less: Flood Control and Water Conservation District No. 3 (85% self-supporting) | | 884,987 |
| San Luis Obispo Water Bonds (100% self-supporting) | | <u>2,880,000</u> |
| TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT .. | | \$23,277,507 |

| | Ratio to | | |
|----------------------------------------------------------------------------------------------------------------|-----------------------|---------------|---------------|
| | Assessed Valuation | Real Value | Per Capita |
| Assessed Valuation | — | — | \$6,782 |
| Direct Debt (\$14,800,000 plus \$945,000 of various assumed school district general obligation bonds) | 3.87% | 1.15% | 262 |
| Net Direct and Estimated Overlapping Bonded Debt | 5.72 | 1.70 | 388 |

① Prepared in cooperation with California Municipal Statistics, Inc.

② Includes \$21,134,958 homeowners' and business inventory exemptions which are reimbursed by the State of California.

③ The State Board of Equalization reports that the 1977/78 assessed valuations in San Luis Obispo County averaged 18.1 percent of full market value. Public utility property (\$194,263,530) is assessed by the State Board of Equalization at 25 percent of market value.

④ The currently offered bonds which are not a debt of the District but are included herein for informational purposes only.

ECONOMY OF THE DISTRICT

The San Luis Coastal Unified School District encompasses 244 square miles in the south coastal area of San Luis Obispo County. The City of San Luis Obispo, situated about 13 miles inland from the Pacific shoreline, is approximately 200 miles north of Los Angeles and 235 miles south of San Francisco. Other communities in the District are the City of Morro Bay and the unincorporated areas of Baywood Park, Los Osos, and Avila Beach, all situated along the coast.

The District is located in a prime recreational and resort area. Tourist-oriented facilities catering to the vacation and visitor trade are important contributors to the local economy. Other major sources of income are agricultural activities, light manufacturing, and employment opportunities at government institutions, particularly those administered by the State of California. Due to its location on a heavily-traveled route between Los Angeles and San Francisco, the District is a convenient stopover point for business men and travelers. The main coastal line of the Southern Pacific Railroad traverses the District. Scheduled air service is available at San Luis Obispo Airport.

California Polytechnic State University San Luis Obispo, one of 19 campuses in the California State University and College system, is located within the District.

Population Characteristics

U.S. Census data are available for the City of San Luis Obispo, City of Morro Bay, the Baywood/Los Osos area and Avila Beach. In the 1970 Census, the combined population of these areas was 39,032. Allowing for rural areas not separately identified in the Census, it is estimated that total District population, within present boundaries, was 46,000 in 1970.

The County Planning Department has developed population estimates as of July 1, 1977. Areas listed in the tabulation at the top of page 29 had a total estimated population of 52,396 in 1977, for an over-

all growth rate of 34.2 percent since 1970. Total District population as of July 1, 1977, is estimated at 60,000 persons, or approximately 30 percent greater than the estimate for 1970.

The Baywood/Los Osos area, south of Morro

Bay, is the most rapidly-growing part of the District, with a 1970-77 growth rate exceeding 140 percent. This area is largely populated by young families. Morro Bay has a higher proportion of retired persons, while the City of San Luis Obispo is characterized by higher-income families.

Population Data

| Area | 1940① | 1950① | 1960① | 1970① | 1977② | Percent Change 1970/77 |
|------------------------------------|-------|--------|--------|--------|--------|------------------------|
| City of San Luis Obispo | 8,881 | 14,180 | 20,437 | 28,036 | 34,935 | 24.6% |
| City of Morro Bay | — | — | — | 7,109 | 8,632 | 21.4 |
| Baywood/Los Osos (unincorporated) | — | — | — | 3,487 | 8,486 | 143.4 |
| Avila Beach (unincorporated) | — | — | — | 400 | 343 | (14.3) |
| Total, above areas | | | | 39,032 | 52,396 | 34.2 |

① U.S. Census Bureau.

② July 1 estimates by County Planning Department.

The 1970 U.S. Census reported the following social characteristics for residents of the District and the county.

District Social Characteristics

| | City of San Luis Obispo | City of Morro Bay | Baywood/Los Osos | County of San Luis Obispo |
|------------------------------------|-------------------------|-------------------|------------------|---------------------------|
| Median age, males | 24.5 | 41.5 | N.A. | 28.6 |
| Median age, females | 24.5 | 46.7 | N.A. | 28.6 |
| Persons per household | 2.71 | 2.37 | N.A. | 2.82 |
| Median school years, males | 13.2 | 12.3 | 12.4 | 12.3 |
| Median school years, females | 12.6 | 12.3 | 12.4 | 12.3 |
| Median family income | \$ 9,969 | \$7,935 | \$8,237 | \$8,738 |
| Mean family income | \$10,989 | \$8,954 | \$8,906 | \$9,690 |

In November 1976, a Special Census of unincorporated areas of the county was carried out by the State Department of Finance. Age and income data for the District's unincorporated communities are as follows:

1976 SPECIAL CENSUS

| | Baywood/ Los Osos | Avila | Cal Poly Area |
|-------------------------------|----------------------|---------|------------------|
| Age 0-17 | 1,801 | 31 | 11 |
| Age 18-65 | 5,227 | 277 | 5,537 |
| Age 66 and over | 1,047 | 35 | 3 |
| Total Population | 8,075 | 343 | 5,551 |
| Median Household Income | \$11,293 | \$6,825 | \$11,428 |

Housing

The 1970 U.S. Census of Housing reported 9,968 all-year housing units in the City of San Luis Obispo. The distribution by type of dwelling unit is presented below.

CITY OF SAN LUIS OBISPO

| Type of Unit | Number | Percent of Total |
|------------------------------|--------|------------------|
| Single family homes | 6,302 | 63.2% |
| Multiple units | 3,142 | 31.5 |
| Mobile home or trailer | 524 | 5.3 |
| Total | 9,968 | 100.0 |

Forty-nine percent of all housing units were owner-occupied, with a median value of \$21,700 (compared with a countywide figure of \$18,200). Median monthly rental was \$107, compared with \$89 throughout the county.

The November 1976 Special Census, previously referred to, provides the following information for unincorporated areas of the District.

1976 SPECIAL CENSUS

| Type of Unit | Baywood | Avila Beach | Cal Poly Area |
|--------------------------|---------|-------------|---------------|
| Single homes | 2,851 | 102 | 40 |
| Multiples | 366 | 60 | 7 |
| Mobile Home | 349 | 17 | 4 |
| Miscellaneous | 6 | 29 | 1 |
| Total Units | 3,572 | 208 | 52 |
| Population Per Household | 2.5 | 1.8 | 1.9 |

The County Planning Department has estimated the number of housing units throughout the county as of July 1, 1977. The following tabulation shows increases since 1970 for District communities.

| | Number of Housing Units | | |
|----------------------------|-------------------------|-----------|----------------|
| | April 1970 | July 1977 | Percent Change |
| City of San Luis Obispo .. | 9,973 | 13,813 | 38.5% |
| City of Morro Bay | 3,451 | 4,943 | 43.2 |
| Baywood/Los Osos | 1,517 | 3,750 | 147.2 |
| Avila Beach | 202 | 208 | 3.0 |
| Total, above areas ... | 15,143 | 22,714 | |

Employment

The District is part of the San Luis Obispo Labor Market (San Luis Obispo County), surveyed periodically by the State Department of Employment Development.

Over 28 percent of all wage and salary workers in this labor market are employed by government agencies, with local government and state government predominant. Other principal employment categories are retail trade and personal services. Agriculture, manufacturing, construction, and public utilities are important sources of employment (see tabulation at the bottom of page 31). The tabulation at the top of page 31 provides a breakdown of employment and payrolls by industry, based on payroll withholding information for the year 1976 as provided by local employers.

The tabulation below presents labor force and unemployment data for the San Luis Obispo Labor Market since 1972.

As noted in the tabulation below, the unemployment rate for January 1978 was 7.5%. In January 1977, the labor force was 50,800 and total employment was 46,500, for an unemployment rate of 8.5%. Employment data for the two Januaries are shown below (wage and salary employment only).

Trade and services have been the most rapidly growing categories of employment in recent years, reflecting the steadily increasing importance of visitor and vacation travel in the area. Between 1972 and 1976, employment in trade increased 35.5 percent, while services-oriented jobs expanded 35 percent.

SAN LUIS OBISPO COUNTY

Labor Force, Employment, and Unemployment

| | Annual Averages | | | | | Month of January 1978 |
|-------------------------|-----------------|--------|--------|--------|--------|-----------------------|
| | 1972 | 1973 | 1974 | 1975 | 1976 | |
| Labor Force | 41,250 | 41,550 | 43,800 | 44,850 | 48,750 | 56,050 |
| Employment | 39,450 | 39,200 | 41,050 | 41,850 | 45,700 | 51,850 |
| Unemployment | 1,800 | 2,350 | 2,750 | 3,000 | 3,050 | 4,200 |
| Unemployment Rate | 4.4% | 5.7% | 6.3% | 6.7% | 6.3% | 7.5% ^① |

^① Reflects the temporary layoffs of agricultural and construction workers due to the rain as well as the large transient student population at California Polytechnic State University.

Source: State Employment Development Department.

SAN LUIS OBISPO COUNTY

Employment and Payrolls 1976^①

| Industry | No. of Employers | No. of Employees | Annual Wages |
|----------------------------------------|------------------|------------------|---------------|
| Agriculture, Forestry, Fisheries | 367 | 2,192 | \$ 13,955,778 |
| Mineral Extraction | 8 | 100 | 1,582,236 |
| Construction | 415 | 2,573 | 35,865,868 |
| Manufacturing | 96 | 1,986 | 20,403,598 |
| Transportation, Public Utilities | 75 | 2,132 | 29,407,702 |
| Wholesale Trade | 123 | 1,198 | 10,125,057 |
| Retail Trade | 868 | 8,561 | 49,341,211 |
| Finance, Insurance, Real Estate | 163 | 1,249 | 10,124,308 |
| Services | 805 | 6,213 | 41,241,367 |
| Federal Government | 12 | 619 | 8,769,808 |
| State Government | 384 | 4,520 | 90,791,734 |
| Local Government | 41 | 5,202 | 58,561,006 |
| Other | 11 | 28 | 205,105 |
| Total | 3,368 | 36,573 | \$370,374,778 |

① All employers reporting payroll withholding information for the period shown.

Source: State Employment Development Department.

SAN LUIS OBISPO COUNTY

Wage and Salary Employment

| Industry | January 1978 | January 1977 |
|---------------------------------------|--------------|--------------|
| Agriculture | 1,200 | 1,350 |
| Manufacturing | 2,550 | 2,000 |
| Mining | 100 | 200 |
| Construction | 2,350 | 2,500 |
| Transportation, utilities | 2,800 | 2,400 |
| Wholesale trade | 1,150 | 1,250 |
| Retail trade | 9,150 | 8,500 |
| Finance, insurance, real estate | 1,550 | 1,350 |
| Services | 7,400 | 6,700 |
| Federal government | 650 | 650 |
| State and local government | 13,100 | 11,500 |
| Total | 42,000 | 38,400 |

Source: State Employment Development Department.

Largest single employer in the county is the State of California. California State Polytechnic University, the California Men's Colony, and Atascadero State Hospital are major employers. Government employers are discussed at greater length on page 37.

Vidar Corp., a unit of TRW, Inc., is the largest manufacturing employer, both in the District and the county. Located in the southeastern part of the City of San Luis Obispo, Vidar produces telecommunications equipment and electronic components, employing 430.

In the same part of the city is Robison Electronics, Inc., a producer of plastic molded encapsulation shells and insulators, with a payroll of approximately 100 persons.

Vetter Fairing Co., an Illinois firm, has recently opened local operations near the Vidar plant. The local plant currently employs 60 in the production of wind-breakers and saddle bags for motorcycles, and expects to have a work force of 100 or more by year-end.

The largest non-governmental employers in the county are listed below.

SAN LUIS OBISPO COUNTY
Major Employers, Excluding Government
100 or More Employees

| | |
|-----------------------------------|-----|
| Madonna Construction* | 164 |
| Telegram Tribune Company* | 125 |
| Swift Aire Lines, Inc.* | 169 |
| Riley's Department Store* | 140 |
| Madonna Inn* | 212 |
| Cabrillo Convalescent Hospital* | 127 |
| Hacienda Convalescent Hospital* | 120 |
| French Hospital and Clinic* | 450 |
| Mid State Bank* | 125 |
| Bank of America* | 268 |
| Sierra Vista Hospital* | 360 |
| San Luis Bay Inn* | 115 |
| Pacific Telephone & Telegraph* | 506 |
| Sears* | 284 |
| Vidar Corp. (Div. of TRW Inc.)* | 430 |
| Phelan and Taylor Produce Company | 175 |
| CTS Keene, Inc. | 325 |
| Twin Cities Community Hospital | 183 |
| Southern California Gas Company* | 360 |
| Pacific Gas & Electric Company* | 815 |
| Robison Electronics, Inc.* | 100 |

*Located in the District or has substantial operations in the District.

Sources: Community Economic Profiles, and direct contact by Stone & Youngberg Municipal Financing Consultants, Inc.

Commercial Activity

The City of San Luis Obispo is the trading center for the county and adjacent areas. Of particular interest is the downtown area of San Luis Obispo, where the restoration of a number of historically significant buildings has created a charming shopping area.

Madonna Road Plaza, in southwest San Luis Obispo, is the largest shopping center in the District. Tenants include a medium-size Sears department store, a Thrifty outlet, Scolari's Markets, Beno's Department Store, TG & Y Stores, a branch of United California Bank, and various specialty shops.

Proposed for a site adjoining the Madonna Road Plaza is the San Luis Mall, an enclosed mall-type shopping center which, if approved by municipal authorities, would include a Mervyn's Department Store, Longs Drugs, a Handyman outlet, and approximately 30 shops.

The Madonna Inn, located west of U.S. 101 in San Luis Obispo, is a unique hostelry, well-known to California motorists travelling between San Francisco and Los Angeles. Each room or suite is individually designed, with a special motif related to a particular phase of California history.

Taxable sales are available only for incorporated areas. In both the City of San Luis Obispo and the City of Morro Bay, taxable transactions and the number of reporting outlets evidence increased activity. These data are summarized by years for the 1973-77 period in the following tabulation.

TAXABLE TRANSACTIONS
(Dollars in Thousands)

| Year | City of San Luis Obispo | | City of Morro Bay | |
|---------------------|-------------------------|--------------|-------------------|--------------|
| | Permits | Transactions | Permits | Transactions |
| 1973 | 943 | \$111,831 | 357 | \$21,532 |
| 1974 | 975 | 122,685 | 364 | 25,130 |
| 1975 | 1,027 | 139,269 | 347 | 27,804 |
| 1976 | 1,037 | 156,443 | 369 | 31,778 |
| 1977 (9 mos.) | 1,060 | 140,397 | 384 | 27,538 |

Source: State Board of Equalization.

Financial Institutions

The following commercial banks maintain branch offices in the District: Bank of America (2), Crocker National Bank, First Central Coast Bank (4), Mid-State Bank, Security Pacific National Bank (2), and United California Bank. Additional financial services are provided by six savings and loan associations: Fidelity (2), Great Western (2), Imperial, Mission Federal, Monterey and Santa Barbara (2).

Construction Activity

During the past ten years the City of San Luis Obispo has granted building permits for 997 single family homes and 2,687 multiple dwelling units. Spaces for at least 1,041 mobile homes have also been constructed, as shown in the tabulation below.

During the six-year period 1972-77, the City of Morro Bay issued building permits for 513 single family houses and 283 multiple units.

CITY OF SAN LUIS OBISPO

Annual Dwelling Unit Increases 1968-77

| Year | New Construction | | Net Additional Mobile Home Spaces |
|------------|------------------|-----------|-----------------------------------|
| | Single Family | Multiples | |
| 1968 | 69 | 83 | N/A |
| 1969 | 50 | 246 | N/A |
| 1970 | 51 | 419 | 411 |
| 1971 | 181 | 461 | -9 |
| 1972 | 66 | 484 | 302 |
| 1973 | 144 | 180 | 236 |
| 1974 | 28 | 93 | 3 |
| 1975 | 167 | 209 | 79 |
| 1976 | 148 | 93 | 1 |
| 1977 | 93 | 419 | 0 |
| Total | 997 | 2,687 | 1,041 |

Source: Community Development Department.

Building permit values are available only for incorporated areas of the county. The summary at the top of the page presents such values since 1972 for the City of San Luis Obispo and the City of Morro Bay. In 1977, combined permit valuations exceeded \$23.5 million for the two cities.

Building Permit Valuation

| Year | City of San Luis Obispo | City of Morro Bay |
|------------|-------------------------|-------------------|
| 1972 | \$ 9,360,000 | \$4,608,000 |
| 1973 | 8,077,000 | 3,645,000 |
| 1974 | 4,309,000 | 3,438,000 |
| 1975 | 12,300,000 | 5,555,000 |
| 1976 | 11,988,000 | 6,315,000 |
| 1977 | 16,777,000 | 6,800,000 |

Source: *California Construction Trends*, Security Pacific Bank.

As of February 1978, various City of San Luis Obispo agencies were considering applications for residential developments aggregating 2,358 housing units, and non-residential projects accounting for 112 acres. These applications are listed below.

CITY OF SAN LUIS OBISPO

Pending Major Development Applications^①

| | Acreage | No. of Units |
|----------------------------------------------------------|------------------|--------------------|
| Residential Projects: | | |
| Foothill Annexation: rezoning and planned development .. | 22 | 19 |
| Ferrini Annexation: rezoning and planned development .. | 51 | 86 |
| Terrace Hill: rezoning and development plan | 40 | 91 |
| Edna-Islay Specific Plan | 400 ^② | 1,100 ^② |
| Laguna Lake Mobile Home Estates: rezoning | 12 | 88 |
| South Street Specific Plan | 68 | 450 |
| Various Tracts | 164 | 524 |
| Total | 757 | 2,358 |
| Non-Residential Projects: | | |
| South Higuera Commerce Park: Specific Plan | 80 | 130 ^② |
| San Luis Mall: rezoning | 19 | 37 |
| Tract 566—Maino Industrial subdivision | 13 | 23 |
| Total | 112 | 190 |

^① As of February 1978.

^② Estimated.

Source: Community Development Department.

Utilities

Electric power, natural gas and telephone service throughout the District are provided by Pacific Gas and Electric Company, Southern California Gas Company and Pacific Telephone Company, respectively.

Water is served to individual water users by a multiplicity of purveyors. For the more rural areas, private wells are prevalent.

One of the largest power generating installations in the Pacific Gas and Electric system is located at Morro Bay. Built in 1956, the plant's steam generator can supply up to 1,030 megawatts of electric power. The main building is ten stories tall, and there are three 450-foot tall smokestacks.

PG & E is building one of the largest nuclear power stations in the United States at Diablo Canyon, located seven miles north of Port San Luis (Avila Beach) along the coast. The project is the fourth largest construction undertaking in California, requiring 2,200 workers during peak construction, and will cost \$1.410 billion when completed. The present assessed valuation of the facility is \$147,746,550. Two units will have a combined generating capacity of 2,190 megawatts, which will represent more than one-sixth of the company's total capacity when in operation.

PG & E has applied for an interim license to operate Unit 1, now complete. The U.S. Nuclear Regulatory Commission has scheduled a public hearing in San Luis Obispo on September 12, 1978. PG & E feels confident the license will be granted. Subject to Commission approval, Unit 2 could go into operation in early 1979. However, no assurance can be given that either unit will be permitted to commence operations. The Diablo Canyon generating plant will require an operating staff of approximately 150 when in full operation.

Transportation

U.S. 101, a major north-south route through California, traverses the District, passing through San Luis Obispo. State Highway 1 branches off to the west from this point and follows the coastline through Morro Bay. Other state highways run east-west across the County intersecting the inland route, Interstate 5. State 46 runs east from Paso Robles in the northern part, State 58 cuts across the center, and State 166 follows the Cuyama River along the southern boundary of the County.

The main coast line of the Southern Pacific Railroad serves San Luis Obispo. There is an Amtrak terminal in the city.

The County Airport at San Luis Obispo provides scheduled air service by Swift Aire Lines, which also serves Paso Robles, Santa Maria, San Francisco, Los Angeles, San Jose, and other California cities.

Port San Luis, at Avila, and Morro Bay, have both been designated as "harbors of refuge." Both harbors are used by ocean-going tankers, which receive crude oil from storage tanks and deliver refined petroleum products. A substantial commercial fishing fleet is headquartered in both harbors and facilities are available for private boating as well.

Higher Education

Cuesta College, situated south of Highway 1 between San Luis Obispo and Morro Bay, is a two-year community college offering a total of approximately 200 courses. About half are applicable to transfer of credit to other institutions, one-fourth are applicable to both transfer and vocational, and the remaining one-fourth are purely vocational. Vocational courses include nursing, secretarial, business management and practices, real estate, electronics, journalism, law enforcement and penology. Courses on law enforcement and penology are especially relevant to the community because of the proximity of the California Mens Colony and Atascadero State Hospital, two major employers in San Luis Obispo County. Cuesta College enrolled 1,798 full-time students and had a total enrollment of 5,099 in the 1976/77 academic year.

California Polytechnic State University occupies an academic campus of 374 acres immediately north of the San Luis Obispo city limits. Surrounding this campus are an additional 4,795 acres of campus land devoted to farming and other types of outdoor laboratory and field study activities. Enrollment was 15,196 (13,079 full-time) in the fall of 1976.

Cal Poly, as it is informaly known, is noted for its excellence in such applied fields as agriculture, engineering, architecture, business-home economics, and the closely related supporting fields of natural, physical, and social sciences and mathematics. The University offers 53 undergraduate majors and 14 programs for the master's degree.

Community Facilities

The City of San Luis Obispo is the medical center of the county, with over 100 physicians/surgeons,

30 dentists, and five optometrists. This concentration has resulted in a high degree of specialization, making possible a quality of medical care unusual to a relatively small population.

San Luis Obispo has three general hospitals with a combined capacity of 435 beds—French Hospital, Sierra Vista Hospital and San Luis Obispo General Hospital. The latter is a county-operated facility which offers complete psychiatric services at its Mental Health Center, in addition to general acute-care medical attention.

Broadcasting within the District are three AM radio stations, two FM radio stations, a station broadcasting in stereo, and a television station. A cable TV firm serves the area.

The Telegram-Tribune is published daily except Sunday in San Luis Obispo. San Francisco and Los Angeles newspapers are available daily throughout the District. Other local newspapers within the District are the Avila Beach Courier, Central Coast Times, and Sun Bulletin.

The City of San Luis Obispo maintains a municipal library. Branches of the San Luis Obispo County Library system are operated at San Luis Obispo, Avila Beach, Morro Bay, and Los Osos.

The Cities of San Luis Obispo and Morro Bay operate fire, police, water and park departments. There are fire departments at Avila Beach and Baywood/Los Osos, as well. Throughout the southern part of the District, fire protection services are the responsibility of the U.S. Forest Service, which has a fire station southeast of Avila Beach. The County

Sheriff's office provides police protection in unincorporated areas. Three County Service Areas, under the supervision of a Special Districts Administrator in the County Engineer Department, provide certain essential services in unincorporated areas of the District, including fire protection, water distribution, and recreational facilities.

Two miles southwest of the business section of San Luis Obispo is Laguna Lake and San Luis Obispo City Park. The lake is approximately three-fourths of a mile long and one-fourth of a mile wide and is a popular recreation area, particularly in the summer months. Adjacent to the lake is the attractive Laguna Lake residential area.

The peninsula forming Morro Bay is a state wildlife area which abounds in marine and bird life. Deep sea party boats for bottom fishing, salmon, albacore and other game fish are available out of Morro Bay and other sport fisheries along the coast.

Camp and trailer sites are adjacent to a public golf course in Morro Bay State Park. A museum of natural history acquaints the visitor with wildlife native to the area.

Virtually untouched by civilization, Montana de Oro State Park consists of 4,000 acres of land and two miles of Pacific shoreline. There are riding and hiking trails, camping and trailer space, and some of the finest scenery in the state.

There are nine golf courses within 30 minutes driving time of San Luis Obispo, including the municipal course and the private San Luis Obispo Country Club.

SAN LUIS OBISPO COUNTY

Mission San Luis Obispo de Tolosa, fifth in the chain of 21 California missions, was founded in September 1772 by Padre Junipero Serra on the site of the present City of San Luis Obispo. It forms part of that city's present-day Mission Plaza. The county was incorporated February 18, 1850 as one of the original 27 counties of California.

The county lies about halfway between Los Angeles and San Francisco. It includes coast, mountains and valleys between Monterey County on the north and Santa Barbara County on the south where the Santa Maria and Cuyama rivers form the boundary. Kern County lies to the east. The Pacific Ocean on the west gives the county 87 miles of coastline. The Santa Lucia Range dominates the western half of the County; the eastern boundary lies along the Temblor Range.

Total area of the county is 3,326.2 square miles, including 10.2 square miles of water. Of the 2,122,240 acres of land area, 1,553,126 are in farms. The coastal and inland mountain ranges border a natural and extremely fertile valley extending from Santa Margarita north into Monterey County. This valley region embraces the greater part of the County's acreage under agricultural cultivation.

Climate

The coastal region climate is moderate with average low and high temperatures in January of 41

degrees and 62 degrees, and 52 degrees and 78 degrees in July. The normal average annual temperature at the California Polytechnic State University station, City of San Luis Obispo, is 58.9 degrees. Average precipitation at San Luis Obispo is 21 inches annually and the growing season is 334 days. In the eastern area, the growing season is 204 days. The average rainfall is 11 inches annually.

County Government and Cities

San Luis Obispo is a general law county governed by a five-member Board of Supervisors, who appoint a County Administrative Officer to administer daily affairs. There are thirteen elected officials, including the County Superintendent of Schools. The county has over 1,600 employees.

The six cities in the county, with January 1, 1977 population estimates, are: San Luis Obispo (34,300), county seat, Arroyo Grande (9,650), Morro Bay (8,600), El Paso de Robles (7,975), Grover City (7,550), and Pismo Beach (4,880).

Population

Population growth in the county has been moderate and steady, although higher than that of the State of California. Expansion has continued in the seventies, as reflected in the tabulation below.

Employment

As noted previously, government is the largest category of employment in San Luis Obispo County, due primarily to the presence of major state facilities: California Polytechnic State University, Atascadero State Hospital, California Mens Colony and El Paso de Robles School for boys. Employment by the Federal government constitutes about five percent of total governmental employment and is made up pri-

Population Growth

| Year | San Luis Obispo County | Percent Change | State of California | Percent Change |
|------------|------------------------|----------------|---------------------|----------------|
| 1940 | 33,246 | — | 6,907,387 | — |
| 1950 | 51,417 | 54.7% | 10,586,223 | 53.3% |
| 1960 | 81,044 | 57.6 | 15,717,204 | 48.5 |
| 1970 | 105,690 | 30.4 | 19,953,134 | 27.0 |
| 1977 | 136,500 | 29.2 | 21,896,000 | 9.7 |

Source: U.S. Census Bureau, except July 1, 1977 estimates by State Department of Finance.

marily of Post Office, Social Security and Internal Revenue Service employees.

An estimate of government employment in San Luis Obispo County is presented below, based on data supplied by the County, the State of California Employment Development Department, the State Personnel Board and specific governmental agencies within the county.

SAN LUIS OBISPO COUNTY

Estimated Governmental Employment^①

| | |
|---------------------------------------------------|--------|
| California Polytechnic State University | 1,500 |
| California Mens Colony | 620 |
| Atascadero State Hospital | 893 |
| The Department of Transportation | 250 |
| El Paso de Robles School | 251 |
| Other State Employees | 536 |
| All Federal Government | 650 |
| County Employees | 1,909 |
| City, School and Other Local Agencies | 5,041 |
| Total | 11,650 |

^① As of mid-1977.

California Mens Colony: The California Mens Colony at San Luis Obispo, an institution of the Department of Corrections, comprises the second largest penal institution in the state and the sixth largest in the nation. The West Facility, a minimum security institution, was established in 1954 to house 1,400 older offenders. The East Facility, completed in 1961, is a medium security institution designed to house 2,400 inmates. Total employment is approximately 620.

The educational program at California Mens Colony is designed to provide both academic upgrading and vocational competence for inmates who have the necessary aptitudes, skills and interest. Academic training is provided for men from illiteracy level up to the completion of high school with some correspondence work carried on at the university level. Vocational training courses are offered in 14 major trades. Approximately 45 percent of the Mens Colony inmates participate in the educational program.

El Paso de Robles School: The El Paso de Robles School for boys, operated by the California Youth Authority Department, was opened in a temporary building in 1947, and its present facilities date from 1954. Employment at the school is 456, including part-time employees. There are 405 wards ranging in age from 15 to 18 years of age. All wards attend academic school one-half day and are assigned to a pre-vocational trade for half a day.

Atascadero State Hospital: One of eleven hospitals operated by the California Department of Health, Atascadero is unique in that it is a maximum security hospital providing treatment for the criminally insane and mentally ill offenders who have been committed as a therapeutic alternative to jail or prison. With approximately 1,050 patients under the care of more than 880 employees, the hospital's payroll for 1976/77 was budgeted at \$14,237,543.

Taxable Transactions

Based on annual rates for the first nine months, taxable sales in the county for 1977 exceeded \$350 million dollars, as shown below.

SAN LUIS OBISPO COUNTY

Business Permits and Taxable Transactions

| Year | No. of Permits | Transactions in Thousands |
|-------------------------|----------------|---------------------------|
| 1973 | 3,523 | \$292,853 |
| 1974 | 3,720 | 322,252 |
| 1975 | 3,951 | 363,100 |
| 1976 | 4,199 | 459,790 |
| 1977 (9 mos.) | 4,490 | 391,614 |

Source: State Board of Equalization.

Construction

Building permit valuation throughout the county totaled \$137,294,000 in 1977, a thirty percent gain over the previous year. The number of housing units increased by more than one-third. Building permit valuations from 1973 through 1977 are shown on page 38.

SAN LUIS OBISPO COUNTY

Value of Building Permits

(Dollars in Thousands)

| | 1973 | 1974 | 1975 | 1976 | 1977 |
|---------------------------------|----------|----------|----------|-----------|-----------|
| Residential: | | | | | |
| New units | \$38,185 | \$34,069 | \$61,604 | \$ 85,820 | \$109,250 |
| Alterations and additions | 1,818 | 2,482 | 3,280 | 4,337 | 5,534 |
| Subtotal | \$40,003 | \$36,551 | \$64,884 | \$ 90,157 | \$114,784 |
| Non-residential: | | | | | |
| New construction | \$ 5,217 | \$ 5,222 | \$12,998 | \$ 13,902 | \$ 20,303 |
| Alterations and additions | 1,263 | 1,641 | 1,382 | 1,658 | 2,207 |
| Subtotal | \$ 6,480 | \$ 6,863 | \$14,380 | \$ 15,560 | \$ 22,510 |
| Total valuation | \$46,483 | \$43,414 | \$79,264 | \$105,717 | \$137,294 |
| Number of dwelling units: | | | | | |
| Single-family | 1,344 | 1,130 | 1,523 | 1,887 | 2,252 |
| Multi-family | 608 | 342 | 543 | 723 | 1,241 |
| Total units | 1,952 | 1,472 | 2,006 | 2,610 | 3,493 |

Source: "California Construction Trends", Security Pacific National Bank.

Mineral Production

In 1976 San Luis Obispo County had 253 producing oil wells, which yielded 1,373,127 barrels of oil. Natural gas from associated oil zones produced during the year amounted to 862,952 Mcf.

The Union Oil Company refinery located at Nipomo Mesa, in the southern part of the County, produces petroleum products and derivatives. Approximately 240,000 tons of petroleum coke is yielded each year and asphalt and sulfur are also produced. Some of the coke is used by a subsidiary at the refinery to produce electrodes. One of the state's principal cinnabar producing mines is located near Paso Robles where a high grade ore body was discovered in 1957. A cinnabar roasting plant is in operation there. Mercury worth \$7,890,000 was produced in 1973.

Agriculture

The gross value of agricultural production in San Luis Obispo County exceeds \$90 million annually. Principal products of the County are livestock, poul-

try and vegetables. The year-round nature of the livestock and poultry industry and the intensive cultivation and long growing season that is characteristic of vegetable production provide a high degree of stability to agricultural employment.

Generally, livestock and poultry production is associated with the northern portion of the County with its gently rolling terrain, pastures and large plantings of various feed and grain crops.

The fertile Arroyo Grande Valley of southern San Luis Obispo County and northern Santa Barbara County is noted for the wide variety of vegetables it produces. A long growing season and triple cropping on a rotation basis of such vegetables as broccoli, celery and lettuce, results in an average income per acre of over \$1,800. A five-year summary of the dollar value of farm production in San Luis Obispo County is shown in the tabulation on page 39.

The State Employment Development Department located in San Luis Obispo reports that there are harvesting delays due to the rain in celery, lettuce and broccoli crops. The impact on the County crop valuation is not determinable at this time.

SAN LUIS OBISPO COUNTY

Five Year Summary of Agricultural Production

(Valuations in Thousands)

| Type | 1972 | 1973 | 1974 | 1975 | 1976 |
|----------------------------------|----------|----------|----------|----------|----------|
| Agricultural Valuation: | | | | | |
| Livestock and related | \$26,645 | \$33,200 | \$25,840 | \$27,830 | \$26,146 |
| Field crops | 10,669 | 15,881 | 23,377 | 24,830 | 19,554 |
| Fruit, nuts, seed, nursery | 2,466 | 4,608 | 6,895 | 6,959 | 12,629 |
| Vegetables | 22,276 | 27,984 | 28,256 | 31,214 | 35,000 |
| Total Valuation | \$62,056 | \$81,673 | \$84,368 | \$90,833 | \$93,329 |
| Agricultural Acreage: | | | | | |
| Field crops | 204,346 | 203,326 | 207,196 | 217,107 | 200,000 |
| Fruit, nuts, seed, nursery | 9,166 | 11,258 | 12,561 | 8,246 | 10,862 |
| Vegetables | 15,711 | 15,236 | 15,159 | 17,245 | 16,473 |
| Total Acreage | 229,223 | 229,820 | 234,916 | 242,598 | 227,335 |

Source: County Agricultural Commission.

Education

Including San Luis Coastal Unified School District, the County is served by seven elementary school districts, two high school districts, and five unified school districts. There are also eleven private and parochial schools in the County with enrollment exceeding 2,300.

Recreation and Visitor Attractions

Recreation in San Luis Obispo County is characterized by outdoor activities. An excellent system of state and county parks places recreation areas within a half-hour drive from any place in the county. Along the coastline are many recreational facilities and tourist attractions. Swimming, clamming, picnicking, boating, surfing, fishing and water skiing at the beaches, lakes and parks in the County are enjoyed by residents and visitors. Some of the most popular facilities are described below.

Lake Nacimiento: Northwest of the City of Paso Robles is Lake Nacimiento. This 18-mile-long lake features scenic campsites, boat rentals, playgrounds, water skiing and year-round fishing. The surface area of the lake is 5,380 acres.

Lopez Lake: Fifteen miles southeast of San Luis Obispo is the Lopez Lake Recreation Area which has a 500-acre recreational site on the shores of the 1,000-acre lake. In addition to swimming, water

skiing and boating, a marina is planned as well as equestrian facilities and riding trails, complete camping facilities, restaurant, laundry and general store.

Cayucos Beach State Park: The village of Cayucos is a charming coastal village with fine surfing and skin diving. Pier fishing is excellent and boats are available for angling in deeper waters.

Pismo Beach State Park: Located on beautiful protected beaches unmarred by riptides or undertows, this park offers swimming, fishing, clamming, camping and trailer sites and picnic units. Each year thousands of visitors come for the Clam Festival.

Santa Margarita Lake: Located approximately 15 miles east of San Luis Obispo, the lake winds through wooded mountain canyons. The upper five miles are virtual wilderness. This county-operated recreational facility offers campgrounds, rental boats, docking facilities, launching ramps, children's playground and swimming pool, restrooms and tackle shop.

Atascadero Lake: Within the town of Atascadero is the mile-long lake which bears its name. It is surrounded by oak tree covered hills and has a park with picnic and barbecue facilities, children's zoo and playground. Swimming, boating, water skiing and fishing are popular.

San Simeon: The late William Randolph Hearst's La Cuesta Encantada, or the Enchanted Hill as he

called it, is now a state historical monument and known as "Hearst's Castle" or Simply "San Simeon." It hosts over 800,000 visitors annually.

The Castle is about 30 miles north of Morro Bay, and five miles east of Highway 1. On the road leading up the hill the visitor will see some of the varieties of wildlife, such as zebra, tahr goats and Barbary sheep, which comprised Mr. Hearst's private zoo.

The property was presented to the State of California by the Hearst Corporation and opened to the

public on June 2, 1958, seven years after Hearst's death. There are three different escorted tours of the grounds.

San Simeon State Park: Near Hearst Castle is the Spanish-style village which was once a whaling port. It has a protected harbor and beach, and charter fishing boats are for hire. There is also a public fishing pier, and the 7½-acre state park features overnight facilities.

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